



Grant Thornton

**Consolidated Financial Statements and Report of  
Independent Certified Public Accountants and Other  
Supplementary Information**

**Robert R. McCormick Foundations**

**December 31, 2012 and 2011**

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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 financial statements of the Robert R. McCormick Foundations, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Robert R. McCormick Foundations as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of grant approvals for the year ended December 31, 2012, and the consolidating statements of financial position and activities for the years ended December 31, 2012 and 2011, are presented for the purposes of additional analysis 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. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Chicago, Illinois  
May 21, 2013

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

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 44,559,650	\$ 62,256,591
Receivable for investment sold	8,938,450	-
Accounts receivable	3,126,679	3,206,497
Other assets	902,649	898,203
Investment securities (notes C and D)	1,334,054,063	1,202,847,499
Land, buildings, equipment and improvements		
Land (note G)	1,323,205	1,323,205
Buildings and improvements	40,922,615	41,298,978
Machinery, equipment, furniture and fixtures	10,782,873	10,310,472
Land improvements	13,794,545	13,615,957
Other infrastructure	3,478,551	3,478,551
Construction in process	<u>1,052,862</u>	<u>787,465</u>
Total land, buildings, equipment and improvements	71,354,651	70,814,628
Less accumulated depreciation	<u>(41,412,282)</u>	<u>(38,744,608)</u>
Land, buildings, equipment and improvements, net	<u>29,942,369</u>	<u>32,070,020</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,421,523,860</u></b>	<b><u>\$1,301,278,810</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 5,610,958	\$ 3,585,675
Grants payable (note E)	27,356,056	36,137,125
Capital lease obligations	<u>506,625</u>	<u>607,950</u>
Total liabilities	33,473,639	40,330,750
<b>Net assets</b>		
Unrestricted (note H)	1,384,527,981	1,257,649,086
Temporarily restricted	719,279	496,013
Permanently restricted (note G)	<u>2,802,961</u>	<u>2,802,961</u>
Total net assets	<u>1,388,050,221</u>	<u>1,260,948,060</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,421,523,860</u></b>	<b><u>\$1,301,278,810</u></b>

The accompanying notes are an integral part of these statements.

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

	<u>2012</u>	<u>2011</u>
Change in unrestricted net assets		
Revenue		
Dividends and interest	\$ 22,885,813	\$ 23,453,209
Contributions (note H)	15,261,473	17,740,696
Golf and restaurant operations	6,854,001	6,396,773
Net realized gain on sales of investments	39,215,915	4,844,378
Museum and park operations	507,124	441,427
Other income	<u>301,706</u>	<u>130,518</u>
Total revenue	85,026,032	53,007,001
Expenses		
Employees' salaries and benefits (note I)	18,295,132	17,301,091
Professional fees	2,501,052	4,379,650
Depreciation expense	3,001,268	3,196,092
Supplies	1,204,877	1,215,031
Food and retail merchandise	1,110,922	1,163,737
Rent and utilities	1,076,940	1,118,869
Real estate taxes and insurance	825,036	846,508
Fundraising and program expenses	751,215	736,286
Maintenance and repairs	785,088	727,103
Programs and exhibits	790,634	711,994
Other expenses	576,051	587,648
Business meetings and travel	522,530	564,222
Outside services	468,006	497,103
Directors' fees	<u>330,000</u>	<u>330,000</u>
Total expenses	<u>32,238,751</u>	<u>33,375,334</u>
Excess of revenue over expenses	52,787,281	19,631,667
Grants approved	<u>(42,810,665)</u>	<u>(55,214,336)</u>
Excess (deficiency) of revenue over expenses and grants approved before change in unrealized net gain (loss) on investments	9,976,616	(35,582,669)
Unrealized net gain (loss) on investments	<u>116,902,279</u>	<u>(42,864,936)</u>
Increase (decrease) in unrestricted net assets	126,878,895	(78,447,605)
Change in temporarily restricted net assets		
Unrealized gain on endowment	<u>223,266</u>	<u>44,200</u>
<b>CHANGE IN NET ASSETS</b>	127,102,161	(78,403,405)
Net assets, beginning of year	<u>1,260,948,060</u>	<u>1,339,351,465</u>
Net assets, end of year	<u>\$1,388,050,221</u>	<u>\$1,260,948,060</u>

The accompanying notes are an integral part of these statements.

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

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 127,102,161	\$ (78,403,405)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized gain on sales of investments	(39,215,915)	(4,844,378)
Unrealized net (gain) loss on investments	(117,125,545)	42,820,736
Depreciation expense	3,001,268	3,196,092
Changes in assets and liabilities		
Decrease in accounts receivable and other assets	75,372	750,409
(Decrease) increase in grants payable	(8,781,069)	6,195,964
Increase (decrease) in accounts payable and accrued expenses and capital lease obligation	<u>1,923,958</u>	<u>(1,316,232)</u>
Net cash used in operating activities	(33,019,770)	(31,600,814)
Cash flows from investing activities		
Proceeds from sale of investment securities	202,049,684	174,746,861
Purchases of investment securities	(185,853,238)	(190,620,502)
Sale of buildings and equipment	442,331	5,700
Purchases of equipment and improvements	<u>(1,315,948)</u>	<u>(1,991,623)</u>
Net cash provided by (used in) investing activities	<u>15,322,829</u>	<u>(17,859,564)</u>
Net decrease in cash and cash equivalents	(17,696,941)	(49,460,378)
Cash and cash equivalents, beginning of year	<u>62,256,591</u>	<u>111,716,969</u>
Cash and cash equivalents, end of year	\$ <u>44,559,650</u>	\$ <u>62,256,591</u>
Non-cash investing activity		
Investment sold, not yet settled	\$ 8,938,450	\$ -

The accompanying notes are an integral part of these statements.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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**NOTE A - ORGANIZATION**

The Robert R. McCormick Foundations (the Foundations) include the following foundations as of December 31, 2012:

- 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.

All members of the board of directors served on the boards of both foundations.

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**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 Foundations include Robert R. McCormick Foundation and Cantigny Foundation. Significant intercompany balances and transactions between 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. Permanently restricted net assets consist of amounts held in perpetuity.

***New Accounting Standard***

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, "*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*," which amends Accounting Standards Codification 820. ASU 2011-04 clarifies existing disclosures



**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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and requires new disclosures about fair value measurements. The Foundations adopted these new provisions as of December 31, 2012, and have included the required disclosures in the footnotes.

***Revenue***

Unrestricted revenue is reported as an increase in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on unrestricted 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 unrestricted investment income or loss, while unrealized gains and losses on 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 consist of earned interest and dividend income on investments and amounts owed to the Foundations 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 uncollectible accounts at December 31, 2012 and 2011, 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 to 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 2012 or 2011.

***Grants***

Unconditional grants are expensed when approved by the board of directors and designated for specific grantees.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and 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 Foundations have received favorable determination letters from the Internal Revenue Service stating that they are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, except for income taxes pertaining to unrelated business income. The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is required for the financial statements. There is no interest or penalties recognized in the statement of activities or statement of financial position. The tax years ended 2009, 2010, 2011 and 2012 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.

***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 2011 amounts have been reclassified in order to provide the financial information on a basis consistent with the 2012 presentation.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

**NOTE C - INVESTMENT SECURITIES**

The following is a summary of fair values of the investment securities as of December 31:

	<u>2012</u>	<u>2011</u>
Investment securities		
Marketable securities		
Equities	\$ 105,062,379	\$ 92,195,217
Fixed income mutual funds	92,248,923	104,880,888
Equity mutual funds	95,297,747	70,352,751
Domestic equity index fund	160,477,436	186,465,725
International equity index fund	171,604,792	121,960,828
Alternative investments		
International equity funds	167,201,944	144,285,845
High-yield credit	59,287,609	64,492,937
Hedge funds	345,037,305	287,597,409
Private equity	<u>137,835,928</u>	<u>130,615,899</u>
Total investment securities	<u>\$1,334,054,063</u>	<u>\$1,202,847,499</u>

Investment manager fees, which are included in dividends and interest in the accompanying consolidated statements of activities, totaled \$1,928,597 and \$1,800,535 for the years ended December 31, 2012 and 2011, respectively.

Investments valued at net asset value (NAV) or its equivalent as of December 31, 2012, consisted of the following:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Domestic equity index fund (a)	\$ 160,477,436	\$ -	Semi-monthly	7 days
International equity index fund (b)	171,604,792	-	Semi-monthly	7 days
International equity funds (b)	167,201,944	-	Monthly - Unlimited	4 - 30 days
High-yield credit (c)	59,287,609	6,875,000	Monthly - Partnership Termination	10 days - None
Hedge funds (d)	345,037,305	-	Monthly - Annual	10 - 90 days
Private equity (e)	<u>137,835,928</u>	103,544,172	None until termination of partnership	
Total investments recorded at NAV	<u>\$1,041,445,014</u>			

- (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.
- (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.
- (c) This category includes investments in limited partnerships with assets consisting of leveraged and 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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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- (d) This category includes investments in hedge funds that invest both long and short in U.S. and European equities, global commodities, 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.
- (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 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 the amounts reported in the consolidated statements of financial position.

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#### **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 an 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 for which fair 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 an NAV per share, or its equivalent,

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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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 have been adjusted to present value, which 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 their investment managers and their 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 on 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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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, 2012:

	Fair value	Level 1	Level 2	Level 3
Money market funds	\$ 42,178,387	\$ 42,178,387	\$ -	\$ -
<b>Investments</b>				
Marketable securities				
Equities	105,062,379	105,062,379	-	-
Fixed income mutual funds	92,248,923	92,248,923	-	-
Equity mutual funds	95,297,747	95,297,747	-	-
Domestic equity index fund	160,477,436	-	160,477,436	-
International equity index fund	171,604,792	-	171,604,792	-
Alternative investments				
International equity funds	167,201,944	-	167,201,944	-
High-yield credit	59,287,609	-	40,791,241	18,496,368
Hedge funds	345,037,305	-	157,538,813	187,498,492
Private equity	<u>137,835,928</u>	<u>-</u>	<u>-</u>	<u>137,835,928</u>
Total assets at fair value	<u>\$1,376,232,450</u>	<u>\$334,787,436</u>	<u>\$697,614,226</u>	<u>\$343,830,788</u>

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	Level 1	Level 2	Level 3
Money market funds	\$ 60,356,462	\$ 60,356,462	\$ -	\$ -
<b>Investments</b>				
Marketable securities				
Equities	92,195,217	92,195,217	-	-
Fixed income mutual funds	104,880,888	104,880,888	-	-
Equity mutual funds	70,352,751	70,352,751	-	-
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	<u>130,615,899</u>	<u>-</u>	<u>-</u>	<u>130,615,899</u>
Total assets at fair value	<u>\$1,263,203,961</u>	<u>\$327,785,318</u>	<u>\$595,035,968</u>	<u>\$340,382,675</u>

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

The table below presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the period from January 1, 2012 through December 31, 2012:

	High-yield credit	Hedge funds	Private equity	Total
Beginning balance, January 1, 2012	\$ 26,637,573	\$183,129,203	\$130,615,899	\$ 340,382,675
Total unrealized net (losses) gains	(6,266,205)	16,473,158	19,346,410	29,553,363
Realized gains	8,377,695	985,784	13,272,371	22,635,850
Purchases	18,125,000	31,525	39,531,827	57,688,352
Sales	<u>(28,377,695)</u>	<u>(13,121,178)</u>	<u>(64,930,579)</u>	<u>(106,429,452)</u>
Ending balance, December 31, 2012	<u>\$ 18,496,368</u>	<u>\$187,498,492</u>	<u>\$137,835,928</u>	<u>\$ 343,830,788</u>

The table below presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the period from January 1, 2011 through 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	<u>-</u>	<u>(29,351)</u>	<u>(38,810,627)</u>	<u>(38,839,978)</u>
Ending balance, December 31, 2011	<u>\$26,637,573</u>	<u>\$183,129,203</u>	<u>\$130,615,899</u>	<u>\$ 340,382,675</u>

Unrealized gains (losses) related to Level 3 investments still held at year-end were \$50,449,092 and \$(5,646,977), respectively, for the years ended December 31, 2012 and 2011.

**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, 2012, are scheduled for payment as follows:

<u>Year ending December 31,</u>	<u>Gross amount</u>	<u>Discounted amount</u>
2013	\$16,236,555	\$16,120,487
2014	7,022,000	6,921,965
2015	2,526,000	2,472,215
2016	1,200,000	1,166,053
2017	<u>700,000</u>	<u>675,336</u>
Total	<u>\$27,684,555</u>	<u>\$27,356,056</u>

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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**NOTE F - LEASES**

***Operating Lease Commitments***

In 2009, 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 in 2012 and 2011. Annual lease commitments are as follows:

Year ending December 31,

2013	\$ 558,084
2014	573,441
2015	589,011
2016	604,799
2017	620,813
Thereafter	<u>1,677,497</u>
Total	<u>\$4,623,645</u>

***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, 2012 and 2011. Accumulated depreciation was \$209,277 and \$139,519 at December 31, 2012 and 2011, respectively. Amortization is included in depreciation expense in the accompanying consolidated statements of activities. Future minimum lease payments required under the capital lease are as follows:

Year ending December 31,

2013	\$101,325
2014	101,325
2015	101,325
2016	101,325
2017	<u>101,325</u>
Total	506,625
Amount representing interest at 1%	<u>(10,762)</u>
Present value of net minimum lease payments	<u>\$495,863</u>

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**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



**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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 from January 1, 2012 through December 31, 2012:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Beginning balance, January 1, 2012	\$ 15,276	\$496,013	\$1,963,961	\$2,475,250
Dividends and interest	57,239	-	-	57,239
Unrealized gain	-	223,266	-	223,266
Amounts appropriated for expenditures	<u>(55,110)</u>	<u>-</u>	<u>-</u>	<u>(55,110)</u>
Ending balance, December 31, 2012	<u>\$ 17,405</u>	<u>\$719,279</u>	<u>\$1,963,961</u>	<u>\$2,700,645</u>

The table below presents a reconciliation of the Foundations' endowment balances for the period from January 1, 2011 through 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	-	44,200	-	44,200
Amounts appropriated for expenditures	<u>(57,012)</u>	<u>-</u>	<u>-</u>	<u>(57,012)</u>
Ending balance, December 31, 2011	<u>\$ 15,276</u>	<u>\$496,013</u>	<u>\$1,963,961</u>	<u>\$2,475,250</u>

**NOTE H - FUNDRAISING PROGRAMS**

During 2012 and 2011, 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

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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each program is to increase philanthropy and attract contributions from the general public. In 2012 and 2011, 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 on the attainment of predetermined goals within a specified period of time. Amounts raised by contributions for these programs are restricted for the specific community and charitable purposes identified for each fund.

McCormick retains complete discretion in determining specific third-party beneficiaries within the grant guidelines of each fund. Undistributed contributions received, including matching amounts transferred to the programs, total \$17,750,000 and \$20,572,000, and are included as a component of unrestricted net assets in the accompanying consolidated statements of financial position at December 31, 2012 and 2011, respectively.

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**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 \$271,000 and \$266,000 for 2012 and 2011, 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 \$77,070 and \$74,760 for 2012 and 2011, respectively. All eligible employees at the date of plan inception became 100% vested. All future participants become vested in equal percentages over a three-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 eligible employees at the date of plan inception became 100% vested. All future participants become vested in equal percentages over a three-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 (\$5,950 in 2012 and \$5,775 in 2011). 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 \$1,016,000, \$517,000 and \$91,000, respectively, in 2012 and \$954,000, \$491,000 and \$88,000, respectively, in 2011.

In 2000, the Foundations established an Executive Mutual Fund Option Plan (the Option Plan) for certain employees of the Foundations. Under the terms of the Option Plan, the employees could forego salary in return for options on various third-party mutual funds. The Foundations were the writer of these options, which were exercisable at any time between January 1, 2001 and January 9, 2012. The Foundations hedged the economic risk associated with the written options by purchasing shares of the various mutual funds underlying the outstanding options. As of December 31, 2012, all options have been exercised. As of

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2012 and 2011**

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December 31, 2011, the fair value of the option liability was approximately \$52,000, which is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

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**NOTE J - SCHEDULE OF FUNCTIONAL EXPENSES**

Expenses by functional category are as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Program services	\$23,614,867	\$22,714,040
Management and general administration	6,829,726	8,910,803
Fundraising	<u>1,794,158</u>	<u>1,750,491</u>
Total expenses	32,238,751	33,375,334
Grants approved	<u>42,810,665</u>	<u>55,214,336</u>
Total expenses and grants approved	<u>\$75,049,416</u>	<u>\$88,589,670</u>

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**NOTE K - PENDING LITIGATION**

In 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 Company note holders, retired Tribune Company employees and entities related to Sam Zell (the Zell Entities), pertaining to the leveraged buyout of Tribune Company in 2007. The Zell Entities dismissed their case in July 2012. The Foundations' management believes the claims asserted against the Foundations are without merit and intends to vigorously defend against them. The Foundations' management is of the opinion that any potential loss exposure from this pending litigation is indeterminable at this time.

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**NOTE L - SUBSEQUENT EVENTS**

The Foundations evaluated their December 31, 2012, financial statements for subsequent events through May 21, 2013, 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**

**Robert R. McCormick Foundations**  
**SCHEDULE OF GRANT APPROVALS**  
**Year ended December 31, 2012**

Program	Number of grants	Total amount of grants approved
Fundraising programs		
Chicago Tribune Charities	1	\$ 50,000
Chicago Tribune Holiday Campaign	129	4,000,000
LA Times Family Fund	67	1,588,985
Newsday Charities - Holiday	22	586,500
Newsday Charities - Summer	2	65,000
Orlando Sentinel Family Fund - Holiday	36	711,000
Orlando Sentinel Family Fund - Summer	6	110,000
Post-News Season to Share	65	2,820,000
Sun-Sentinel Children's Fund - Holiday	17	215,000
Sun-Sentinel Children's Fund	38	307,000
Washington Post Charities	6	155,000
WGN Radio 720 Neediest Kids Fund	24	540,000
Chicago Blackhawks Charities	12	737,300
Chicago White Sox Community Fund	30	610,000
Colorado Rockies Charity Fund	38	1,089,500
Cubs Care	41	1,038,000
Hurricane Sandy Long Island Disaster Relief Campaign	11	1,025,000
One Summer Chicago	3	800,000
Orlando Magic Youth Fund	18	1,036,000
United Way of Metro Chicago Impact Fund	14	3,502,500
Welcome Back Veterans	3	1,137,000
General Fund	<u>141</u>	<u>18,812,393</u>
Total grants approved	<u><u>724</u></u>	40,936,178
Adjustment to present value discount		<u>168,856</u>
Grants approved plus adjustment to present value discount		41,105,034
Direct charitable giving		593,609
Matching gifts		<u>1,112,022</u>
Total grants approved		<u><u>\$ 42,810,665</u></u>

**Robert R. McCormick Foundations**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**

ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Cash and cash equivalents	\$ 41,075,629	\$ 3,484,021	\$ -	\$ 44,559,650
Receivable for investment sold	8,938,450	-	-	8,938,450
Accounts receivable	2,558,675	568,004	-	3,126,679
Other assets	447,735	454,914	-	902,649
Investment securities	1,146,202,562	187,851,501	-	1,334,054,063
Land, buildings, equipment and improvements				
Land	-	1,323,205	-	1,323,205
Buildings and improvements	377,767	40,544,848	-	40,922,615
Machinery, equipment, furniture and fixtures	319,281	10,463,592	-	10,782,873
Land improvements	-	13,794,545	-	13,794,545
Other infrastructure	-	3,478,551	-	3,478,551
Construction in process	-	1,052,862	-	1,052,862
Total land, buildings, equipment and improvements	697,048	70,657,603	-	71,354,651
Less accumulated depreciation	(470,388)	(40,941,894)	-	(41,412,282)
Land, buildings, equipment and improvements, net	226,660	29,715,709	-	29,942,369
Due from affiliated organization	-	4,459,958	(4,459,958)	-
Total assets	<u>\$ 1,199,449,711</u>	<u>\$ 226,534,107</u>	<u>\$ (4,459,958)</u>	<u>\$ 1,421,523,860</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 1,106,079	\$ 4,504,879	\$ -	\$ 5,610,958
Grants payable	27,356,056	-	-	27,356,056
Capital lease obligations	-	506,625	-	506,625
Due to affiliated organization	4,459,958	-	(4,459,958)	-
Total liabilities	32,922,093	5,011,504	(4,459,958)	33,473,639
Net assets				
Unrestricted	1,163,844,378	220,683,603	-	1,384,527,981
Temporarily restricted	719,279	-	-	719,279
Permanently restricted	1,963,961	839,000	-	2,802,961
Total net assets	<u>1,166,527,618</u>	<u>221,522,603</u>	<u>-</u>	<u>1,388,050,221</u>
Total liabilities and net assets	<u>\$ 1,199,449,711</u>	<u>\$ 226,534,107</u>	<u>\$ (4,459,958)</u>	<u>\$ 1,421,523,860</u>

**Robert R. McCormick Foundations**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**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
Total land, buildings, equipment and improvements	697,048	70,117,580	-	70,814,628
Less accumulated depreciation	(432,611)	(38,311,997)	-	(38,744,608)
Land, buildings, equipment and improvements, net	264,437	31,805,583	-	32,070,020
Due from affiliated organizations	-	6,665,085	(6,665,085)	-
Total assets	<u>\$ 1,103,940,308</u>	<u>\$ 204,003,587</u>	<u>\$ (6,665,085)</u>	<u>\$ 1,301,278,810</u>
<b>LIABILITIES AND NET ASSETS</b>				
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 organization	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
Temporarily restricted	496,013	-	-	496,013
Permanently restricted	1,963,961	839,000	-	2,802,961
Total net assets	<u>1,060,186,391</u>	<u>200,761,669</u>	<u>-</u>	<u>1,260,948,060</u>
Total liabilities and net assets	<u>\$ 1,103,940,308</u>	<u>\$ 204,003,587</u>	<u>\$ (6,665,085)</u>	<u>\$ 1,301,278,810</u>

**Robert R. McCormick Foundations**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year ended December 31, 2012**

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Change in unrestricted net assets				
Revenue				
Dividends and interest	\$ 19,054,914	\$ 3,830,899	\$ -	\$ 22,885,813
Contributions	15,247,510	13,963	-	15,261,473
Golf and restaurant operations	-	6,854,001	-	6,854,001
Net realized gain on sales of investments	33,135,589	6,080,326	-	39,215,915
Museum and park operations	-	507,124	-	507,124
Other income	5,445	296,261	-	301,706
Total revenue	67,443,458	17,582,574	-	85,026,032
Expenses				
Employees' salaries and benefits	6,693,961	11,601,171	-	18,295,132
Professional fees	2,240,833	260,219	-	2,501,052
Depreciation expense	37,777	2,963,491	-	3,001,268
Supplies	187,097	1,017,780	-	1,204,877
Food and retail merchandise	-	1,110,922	-	1,110,922
Rent and utilities	619,904	457,036	-	1,076,940
Real estate taxes and insurance	98,069	726,967	-	825,036
Fundraising program expenses	751,215	-	-	751,215
Maintenance and repairs	192,049	593,039	-	785,088
Programs and exhibits	400,270	390,364	-	790,634
Other expenses	78,631	497,420	-	576,051
Business meetings and travel	381,687	140,843	-	522,530
Outside services	51,103	416,903	-	468,006
Directors' fees	202,800	127,200	-	330,000
Total expenses	11,935,396	20,303,355	-	32,238,751
Revenue in excess (deficiency) of expenses	55,508,062	(2,720,781)	-	52,787,281
Grants approved	(51,055,275)	-	8,244,610	(42,810,665)
Contributions from the Robert R. McCormick Foundation		8,244,610	(8,244,610)	-
Excess of revenue over expenses and grants approved before change in unrealized net gain on investments	4,452,787	5,523,829	-	9,976,616
Unrealized net gain on investments	101,665,174	15,237,105	-	116,902,279
Increase in unrestricted net assets	106,117,961	20,760,934	-	126,878,895
Change in temporarily restricted net assets				
Unrealized gain on endowment	223,266	-	-	223,266
<b>CHANGE IN NET ASSETS</b>	106,341,227	20,760,934	-	127,102,161
Net assets, beginning of year	1,060,186,391	200,761,669	-	1,260,948,060
Net assets, end of year	\$ 1,166,527,618	\$ 221,522,603	\$ -	\$ 1,388,050,221



**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) excess of revenue over expenses and grants approved before change in unrealized net loss 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
<b>CHANGE IN NET ASSETS</b>	(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	<u>\$ 1,060,186,391</u>	<u>\$ 200,761,669</u>	<u>\$ -</u>	<u>\$ 1,260,948,060</u>