



Grant Thornton

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

**Robert R. McCormick Foundations**

December 31, 2013 and 2012

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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, 2013 and 2012, 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, 2013 and 2012, 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, 2013, and the consolidating statements of financial position and activities for the years ended December 31, 2013, 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 15, 2014

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

| <b>ASSETS</b>                                     | <u>2013</u>                    | <u>2012</u>                    |
|---|--------------------------------|--------------------------------|
| Cash and cash equivalents                         | \$ 93,391,496                  | \$ 44,559,650                  |
| Receivable for investment sold                    | -                              | 8,938,450                      |
| Accounts receivable                               | 3,607,777                      | 3,126,679                      |
| Other assets                                      | 907,248                        | 902,649                        |
| Investment securities (notes C and D)             | 1,470,240,266                  | 1,334,054,063                  |
| Land, buildings, equipment and improvements       |                                |                                |
| Land (note G)                                     | 1,323,205                      | 1,323,205                      |
| Buildings and improvements                        | 41,223,637                     | 40,922,615                     |
| Machinery, equipment, furniture and fixtures      | 11,176,185                     | 10,782,873                     |
| Land improvements                                 | 14,020,777                     | 13,794,545                     |
| Other infrastructure                              | 3,478,551                      | 3,478,551                      |
| Construction in process                           | <u>2,124,598</u>               | <u>1,052,862</u>               |
| Total land, buildings, equipment and improvements | 73,346,953                     | 71,354,651                     |
| Less accumulated depreciation                     | <u>(44,111,092)</u>            | <u>(41,412,282)</u>            |
| Land, buildings, equipment and improvements, net  | <u>29,235,861</u>              | <u>29,942,369</u>              |
| <b>TOTAL ASSETS</b>                               | <b><u>\$ 1,597,382,648</u></b> | <b><u>\$ 1,421,523,860</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                                |                                |
| Liabilities                                       |                                |                                |
| Accounts payable and accrued expenses             | \$ 6,522,396                   | \$ 5,610,958                   |
| Grants payable (note E)                           | 37,570,653                     | 27,356,056                     |
| Capital lease obligations                         | <u>388,170</u>                 | <u>506,625</u>                 |
| Total liabilities                                 | 44,481,219                     | 33,473,639                     |
| Net assets  |                                |                                |
| Unrestricted (note H)                             | 1,546,330,004                  | 1,384,527,981                  |
| Temporarily restricted                            | 3,768,464                      | 719,279                        |
| Permanently restricted (note G)                   | <u>2,802,961</u>               | <u>2,802,961</u>               |
| Total net assets                                  | <u>1,552,901,429</u>           | <u>1,388,050,221</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>           | <b><u>\$ 1,597,382,648</u></b> | <b><u>\$ 1,421,523,860</u></b> |

The accompanying notes are an integral part of these statements.

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

|   | 2013                    | 2012                    |
|---|-------------------------|-------------------------|
| Change in unrestricted net assets   |                         |                         |
| Revenue   |                         |                         |
| Dividends and interest  | \$ 23,776,600           | \$ 22,885,813           |
| Contributions (note H)  | 14,935,157              | 15,261,473              |
| Golf and restaurant operations  | 6,880,274               | 6,854,001               |
| Net realized gain on sales of investments   | 88,804,233              | 39,215,915              |
| Museum and park operations  | 553,193                 | 507,124                 |
| Other income  | 79,420                  | 301,706                 |
| Total revenue   | 135,028,877             | 85,026,032              |
| Expenses  |                         |                         |
| Employees' salaries and benefits (note I)   | 18,518,238              | 18,295,132              |
| Professional fees   | 3,406,167               | 2,501,052               |
| Depreciation expense  | 2,695,347               | 3,001,268               |
| Supplies  | 1,198,204               | 1,204,877               |
| Food and retail merchandise   | 1,171,335               | 1,110,922               |
| Rent and utilities  | 1,107,560               | 1,076,940               |
| Real estate taxes and insurance   | 1,054,149               | 825,036                 |
| Fundraising and program expenses  | 826,780                 | 751,215                 |
| Maintenance and repairs   | 724,142                 | 785,088                 |
| Programs and exhibits   | 1,013,146               | 790,634                 |
| Other expenses  | 576,367                 | 576,051                 |
| Business meetings and travel  | 587,784                 | 522,530                 |
| Outside services  | 567,901                 | 468,006                 |
| Directors' fees   | 330,000                 | 330,000                 |
| Total expenses  | 33,777,120              | 32,238,751              |
| Excess of revenue over expenses   | 101,251,757             | 52,787,281              |
| Grants approved   | (57,627,611)            | (42,810,665)            |
| Excess of revenue over expenses and grants approved before net unrealized gain on investments | 43,624,146              | 9,976,616               |
| Net unrealized gain on investments  | 118,177,877             | 116,902,279             |
| Increase in unrestricted net assets   | 161,802,023             | 126,878,895             |
| Change in temporarily restricted net assets   |                         |                         |
| Contributions   | 2,624,561               | -                       |
| Unrealized gain on endowment  | 424,624                 | 223,266                 |
| Increase in temporarily restricted net assets   | 3,049,185               | 223,266                 |
| <b>CHANGE IN NET ASSETS</b>   | 164,851,208             | 127,102,161             |
| Net assets, beginning of year   | 1,388,050,221           | 1,260,948,060           |
| Net assets, end of year   | <u>\$ 1,552,901,429</u> | <u>\$ 1,388,050,221</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>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| Cash flows from operating activities   |                      |                      |
| Change in net assets   | \$ 164,851,208       | \$ 127,102,161       |
| Adjustments to reconcile change in net assets to net cash used in operating activities |                      |                      |
| Net realized gain on sales of investments  | (88,804,233)         | (39,215,915)         |
| Net unrealized gain on investments   | (118,602,501)        | (117,125,545)        |
| Depreciation expense   | 2,695,347            | 3,001,268            |
| Changes in assets and liabilities  |                      |                      |
| (Increase) decrease in accounts receivable and other assets                            | (485,697)            | 75,372               |
| Increase (decrease) in grants payable  | 10,214,597           | (8,781,069)          |
| Increase in accounts payable and accrued expenses and capital lease obligation         | 792,983              | 1,923,958            |
| Net cash used in operating activities  | <u>(29,338,296)</u>  | <u>(33,019,770)</u>  |
| Cash flows from investing activities   |                      |                      |
| Proceeds from sale of investment securities  | 241,687,020          | 202,049,684          |
| Purchases of investment securities   | (161,524,576)        | (185,853,238)        |
| Sale of buildings and equipment  | -                    | 442,331              |
| Purchases of equipment and improvements  | (1,992,302)          | (1,315,948)          |
| Net cash provided by investing activities  | <u>78,170,142</u>    | <u>15,322,829</u>    |
| Net change in cash and cash equivalents  | 48,831,846           | (17,696,941)         |
| Cash and cash equivalents, beginning of year   | <u>44,559,650</u>    | <u>62,256,591</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 93,391,496</u> | <u>\$ 44,559,650</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, 2013 and 2012**

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**NOTE A - ORGANIZATION**

The Robert R. McCormick Foundations (the Foundations) include the following foundations:

- 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 and investment returns expended in the year they are received are presented as unrestricted revenue in the financial statements. Permanently restricted net assets consist of amounts held in perpetuity.

***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.



**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

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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, 2013 and 2012, 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 statement of financial position 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 statement of financial position. There were no impairments to land, buildings and equipment for the fiscal years 2013 or 2012.

***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 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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

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***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 has issued guidance that requires the 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 2010, 2011, 2012 and 2013 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 2012 amounts have been reclassified in order to provide the financial information on a basis consistent with the 2013 presentation.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

**NOTE C - INVESTMENT SECURITIES**

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

|                                 | <u>2013</u>            | <u>2012</u>            |
|---------------------------------|------------------------|------------------------|
| Investment securities           |                        |                        |
| Marketable securities           |                        |                        |
| Equities                        | \$ 125,159,471         | \$ 105,062,379         |
| Fixed income mutual funds       | 108,648,013            | 92,248,923             |
| Equity mutual funds             | 136,225,000            | 95,297,747             |
| Domestic equity index fund      | 146,659,603            | 160,477,436            |
| International equity index fund | 198,087,692            | 171,604,792            |
| Alternative investments         |                        |                        |
| International equity funds      | 186,611,543            | 167,201,944            |
| High-yield credit               | 68,189,129             | 59,287,609             |
| Hedge funds                     | 377,430,221            | 345,037,305            |
| Private equity                  | <u>123,229,594</u>     | <u>137,835,928</u>     |
| Total investment securities     | <u>\$1,470,240,266</u> | <u>\$1,334,054,063</u> |

Alternative investments include limited partnerships and hedge funds for which the underlying values cannot be readily determined based on published market prices of the funds or the underlying securities.

Investment manager fees, which are netted against dividends and interest in the accompanying consolidated statements of activities, totaled \$2,462,821 and \$1,928,597 for the years ended December 31, 2013 and 2012, respectively.

Investments valued at net asset value (NAV) or its equivalent as of December 31, 2013, 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)      | \$ 146,659,603         | \$ -                        | Semi-monthly                          | 7 days                          |
| International equity index fund (b) | 198,087,692            | -                           | Semi-monthly                          | 7 days                          |
| International equity funds (b)      | 186,611,543            | -                           | Monthly - unlimited                   | 4 - 30 days                     |
| High-yield credit (c)               | 68,189,129             | -                           | Monthly - partnership termination     | 10 days - none                  |
| Hedge funds (d)                     | 377,430,221            | -                           | Monthly - annual                      | 10 - 90 days                    |
| Private equity (e)                  | <u>123,229,594</u>     | 137,320,306                 | None until termination of partnership |                                 |
| Total investments recorded at NAV   | <u>\$1,100,207,782</u> |                             |                                       |                                 |

(a) This category includes investments in an equity security fund primarily consisting of domestic common stocks.

(b) This category includes investments in equity securities funds primarily consisting of non-U.S. common stocks.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

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- (c) This category includes investments in limited partnerships with assets consisting of leveraged and unleveraged bank loans and high-yield debt.
- (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.
- (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 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.

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 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, that can never be

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

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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 mutual funds 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; 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, 2013 and 2012**

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, 2013:

|                                 | Fair value             | Level 1              | Level 2              | Level 3              |
|---------------------------------|------------------------|----------------------|----------------------|----------------------|
| Money market funds              | \$ 91,074,284          | \$ 91,074,284        | \$ -                 | \$ -                 |
| Investments                     |                        |                      |                      |                      |
| Marketable securities           |                        |                      |                      |                      |
| Equities                        | 125,159,471            | 125,159,471          | -                    | -                    |
| Fixed income mutual funds       | 108,648,013            | 108,648,013          | -                    | -                    |
| Equity mutual funds             | 136,225,000            | 136,225,000          | -                    | -                    |
| Domestic equity index fund      | 146,659,603            | -                    | 146,659,603          | -                    |
| International equity index fund | 198,087,692            | -                    | 198,087,692          | -                    |
| Alternative investments         |                        |                      |                      |                      |
| International equity funds      | 186,611,543            | -                    | 186,611,543          | -                    |
| High-yield credit               | 68,189,129             | -                    | 40,962,557           | 27,226,572           |
| Hedge funds                     | 377,430,221            | -                    | 223,654,092          | 153,776,129          |
| Private equity                  | <u>123,229,594</u>     | <u>-</u>             | <u>-</u>             | <u>123,229,594</u>   |
| Total assets at fair value      | <u>\$1,561,314,550</u> | <u>\$461,106,768</u> | <u>\$795,975,487</u> | <u>\$304,232,295</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, 2012:

|                                 | Fair value             | Level 1              | Level 2              | Level 3              |
|---------------------------------|------------------------|----------------------|----------------------|----------------------|
| Money market funds              | \$ 42,178,387          | \$ 42,178,387        | \$ -                 | \$ -                 |
| Investments                     |                        |                      |                      |                      |
| 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            | -                    | 185,331,443          | 159,705,862          |
| 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>\$725,406,856</u> | <u>\$316,038,158</u> |

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

The table below presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2013:

|                                     | High-yield<br>credit | Hedge<br>funds       | Private<br>equity    | Total                |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning balance, January 1, 2013  | \$18,496,368         | \$159,705,862        | \$137,835,928        | \$316,038,158        |
| Total unrealized net gains (losses) | 2,293,613            | 14,078,080           | (21,942,700)         | (5,571,007)          |
| Realized gains                      | -                    | 872,452              | 38,775,005           | 39,647,457           |
| Purchases                           | 6,875,000            | 241                  | 34,854,246           | 41,729,487           |
| Sales                               | <u>(438,409)</u>     | <u>(20,880,506)</u>  | <u>(66,292,885)</u>  | <u>(87,611,800)</u>  |
| Ending balance, December 31, 2013   | <u>\$27,226,572</u>  | <u>\$153,776,129</u> | <u>\$123,229,594</u> | <u>\$304,232,295</u> |

The table below presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2012:

|                                     | High-yield<br>credit | Hedge<br>funds       | Private<br>equity    | Total                 |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| Beginning balance, January 1, 2012  | \$ 26,637,573        | \$158,956,394        | \$130,615,899        | \$ 316,209,866        |
| Total unrealized net (losses) gains | (6,266,205)          | 12,853,337           | 19,346,410           | 25,933,542            |
| 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>\$159,705,862</u> | <u>\$137,835,928</u> | <u>\$ 316,038,158</u> |

Unrealized gains (losses) related to Level 3 investments still held at year-end were \$31,890,850 and \$46,829,270, respectively, for the years ended December 31, 2013 and 2012.

**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, 2013, are scheduled for payment as follows:

| <u>Year ending December 31,</u> | Gross<br>amount     | Discounted<br>amount |
|---------------------------------|---------------------|----------------------|
| 2014                            | \$17,838,535        | \$17,531,730         |
| 2015                            | 9,659,341           | 9,329,936            |
| 2016                            | 4,527,750           | 4,298,126            |
| 2017                            | 3,593,750           | 3,352,820            |
| 2018                            | 2,843,750           | 2,607,470            |
| Thereafter                      | <u>500,000</u>      | <u>450,571</u>       |
| Total                           | <u>\$38,963,126</u> | <u>\$37,570,653</u>  |

Robert R. McCormick Foundations  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
December 31, 2013 and 2012

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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. In 2013, McCormick amended the lease to include additional office space. Rent expense pertaining to this lease was \$585,865 in 2013 and \$560,414 in 2012. Annual lease commitments are as follows:

Year ending December 31,

|            |                    |
|------------|--------------------|
| 2014       | \$ 611,599         |
| 2015       | 628,202            |
| 2016       | 645,041            |
| 2017       | 662,116            |
| 2018       | 679,440            |
| Thereafter | <u>1,109,647</u>   |
| Total      | <u>\$4,336,045</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, 2013 and 2012. Accumulated depreciation was \$279,036 and \$209,277 at December 31, 2013 and 2012, 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,

|   |                  |
|---|------------------|
| 2014  | \$101,325        |
| 2015  | 101,325          |
| 2016  | 101,325          |
| 2017  | <u>101,325</u>   |
| Total                                       | 405,300          |
| Amount representing interest at 1.75%       | <u>(17,130)</u>  |
| Present value of net minimum lease payments | <u>\$388,170</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,



**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

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 (Bioff) in the amount of \$1,963,961. 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.

The table below presents a reconciliation of McCormick's Bioff endowment balances for the year ended December 31, 2013:

|                                       | Unrestricted<br>net assets | Temporarily<br>restricted<br>net assets | Permanently<br>restricted<br>net assets | Total              |
|---------------------------------------|----------------------------|---|---|--------------------|
| Beginning balance, January 1, 2013    | \$ 17,405                  | \$ 719,279                              | \$1,963,961                             | \$2,700,645        |
| Dividends and interest                | 57,632                     | -                                       | -                                       | 57,632             |
| Unrealized gain                       | -                          | 424,624                                 | -                                       | 424,624            |
| Amounts appropriated for expenditures | (58,993)                   | -                                       | -                                       | (58,993)           |
| Ending balance, December 31, 2013     | <u>\$ 16,044</u>           | <u>\$1,143,903</u>                      | <u>\$1,963,961</u>                      | <u>\$3,123,908</u> |

The table below presents a reconciliation of McCormick's Bioff endowment balances for the year ended December 31, 2012:

|                                       | Unrestricted<br>net assets | Temporarily<br>restricted<br>net assets | Permanently<br>restricted<br>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 | (55,110)                   | -                                       | -                                       | (55,110)           |
| Ending balance, December 31, 2012     | <u>\$ 17,405</u>           | <u>\$719,279</u>                        | <u>\$1,963,961</u>                      | <u>\$2,700,645</u> |

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

The following is a summary of temporarily restricted net assets at December 31:

|   | <u>2013</u>        | <u>2012</u>      |
|---|--------------------|------------------|
| Time restricted endowment earnings      | \$1,143,903        | \$719,279        |
| Purpose restricted program funds:       |                    |                  |
| Welcome Back Veterans                   | 2,099,445          | -                |
| Illinois Tornado Relief                 | <u>525,116</u>     | <u>-</u>         |
| Total temporarily restricted net assets | <u>\$3,768,464</u> | <u>\$719,279</u> |

**NOTE H - FUNDRAISING PROGRAMS**

During 2013 and 2012, 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 2013 and 2012, 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 approximately \$19,907,000 and \$17,750,000, and are included as a component of unrestricted net assets in the accompanying consolidated statements of financial position at December 31, 2013 and 2012, 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 \$261,000 and \$271,000 for 2013 and 2012, 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 \$79,590 and \$77,070 for 2013 and 2012, 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

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

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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 (\$6,125 in 2013 and \$5,950 in 2012). 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 \$1,026,000, \$524,000 and \$89,000, respectively, in 2013 and \$1,016,000, \$517,000 and \$91,000, respectively, in 2012.

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**NOTE J - SCHEDULE OF FUNCTIONAL EXPENSES**

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

|                                       | <u>2013</u>         | <u>2012</u>         |
|---------------------------------------|---------------------|---------------------|
| Program services                      | \$24,383,953        | \$23,759,822        |
| Management and general administration | 7,526,329           | 6,684,771           |
| Fundraising                           | <u>1,866,838</u>    | <u>1,794,158</u>    |
| Total expenses                        | 33,777,120          | 32,238,751          |
| Grants approved                       | <u>57,627,611</u>   | <u>42,810,665</u>   |
| Total expenses and grants approved    | <u>\$91,404,731</u> | <u>\$75,049,416</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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2013 and 2012**

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**NOTE L - SUBSEQUENT EVENTS**

The Foundations evaluated their December 31, 2013, financial statements for subsequent events through May 15, 2014, the date the financial statements were available to be issued. Except as noted below, no events require recognition or disclosure in the consolidated financial statements.

In January 2014, Cantigny Foundation signed an agreement with Kemper Sports Management, Inc. to operate and manage the Cantigny golf and food and beverage amenities under Cantigny's supervision. The agreement has a five-year term with options for extension. The golf course and restaurants remain the assets of Cantigny, and the revenues and expenses continue to be Cantigny's; however, the employees of the golf and food and beverage operations have become Kemper employees.

SUPPLEMENTARY INFORMATION

**Robert R. McCormick Foundations**  
**SCHEDULE OF GRANT APPROVALS**  
Year ended December 31, 2013

| Program  | Number of grants  | Total amount of grants approved |
|--|-------------------|---------------------------------|
| Fundraising programs                                       |                   |                                 |
| Chicago Tribune Charities                                  | 2                 | \$ 47,000                       |
| Chicago Tribune Holiday Campaign                           | 87                | 4,030,000                       |
| LA Times Family Fund                                       | 38                | 1,081,000                       |
| Newsday Charities - Holiday                                | 21                | 766,000                         |
| Newsday Charities - Summer                                 | 5                 | 185,000                         |
| Orlando Sentinel Family Fund - Holiday                     | 26                | 661,000                         |
| Orlando Sentinel Family Fund - Summer                      | 4                 | 160,000                         |
| Post-News Season to Share                                  | 83                | 2,775,000                       |
| Sun-Sentinel Children's Fund - Holiday                     | 8                 | 323,000                         |
| Sun-Sentinel Children's Fund                               | 37                | 247,000                         |
| Washington Post Charities                                  | 6                 | 165,000                         |
| WGN Radio 720 Neediest Kids Fund                           | 19                | 455,000                         |
| Chicago Blackhawks Charities                               | 13                | 517,300                         |
| Chicago Bulls Community Assist Fund                        | 9                 | 140,000                         |
| Chicago White Sox Community Fund                           | 33                | 660,000                         |
| Colorado Rockies Charity Fund                              | 34                | 1,211,100                       |
| Cubs Care  | 43                | 1,111,000                       |
| Hurricane Sandy Long Island Disaster Relief Campaign       | 3                 | 644,174                         |
| Illinois Tornado Relief                                    | 2                 | 300,000                         |
| One Summer Chicago   | 4                 | 200,000                         |
| Orlando Magic Youth Fund                                   | 26                | 650,000                         |
| United Way of Metro Chicago Impact Fund                    | 20                | 3,500,000                       |
| Welcome Back Veterans                                      | 3                 | 3,000,000                       |
| General Fund   | <u>160</u>        | <u>34,131,731</u>               |
| Total grants approved                                      | <u><u>686</u></u> | 56,960,305                      |
| Adjustment to present value discount                       |                   | <u>(1,063,974)</u>              |
| Grants approved, less adjustment to present value discount |                   | 55,896,331                      |
| Direct charitable giving                                   |                   | 638,028                         |
| Matching gifts   |                   | <u>1,093,252</u>                |
| Total grants approved                                      |                   | <u><u>\$ 57,627,611</u></u>     |

**Robert R. McCormick Foundations**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

| ASSETS  | Robert R.<br>McCormick<br>Foundation | Cantigny<br>Foundation | Eliminations          | Consolidated<br>total   |
|---|--------------------------------------|------------------------|-----------------------|-------------------------|
| Cash and cash equivalents                         | \$ 89,720,702                        | \$ 3,670,794           | \$ -                  | \$ 93,391,496           |
| Accounts receivable                               | 3,042,468                            | 565,309                | -                     | 3,607,777               |
| Other assets                                      | 340,255                              | 566,993                | -                     | 907,248                 |
| Investment securities                             | 1,238,305,406                        | 231,934,860            | -                     | 1,470,240,266           |
| Land, buildings, equipment and improvements       |                                      |                        |                       |                         |
| Land  |                                      | 1,323,205              | -                     | 1,323,205               |
| Buildings and improvements                        | 449,536                              | 40,774,101             | -                     | 41,223,637              |
| Machinery, equipment, furniture and fixtures      | 319,280                              | 10,856,905             | -                     | 11,176,185              |
| Land improvements                                 |                                      | 14,020,777             | -                     | 14,020,777              |
| Other infrastructure                              |                                      | 3,478,551              | -                     | 3,478,551               |
| Construction in process                           |                                      | 2,124,598              | -                     | 2,124,598               |
| Total land, buildings, equipment and improvements | 768,816                              | 72,578,137             | -                     | 73,346,953              |
| Less accumulated depreciation                     | (515,342)                            | (43,595,750)           | -                     | (44,111,092)            |
| Land, buildings, equipment and improvements, net  | 253,474                              | 28,982,387             | -                     | 29,235,861              |
| Due from affiliated organization                  | -                                    | 5,430,540              | (5,430,540)           | -                       |
| Total assets                                      | <u>\$ 1,331,662,305</u>              | <u>\$ 271,150,883</u>  | <u>\$ (5,430,540)</u> | <u>\$ 1,597,382,648</u> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                                      |                        |                       |                         |
| Liabilities                                       |                                      |                        |                       |                         |
| Accounts payable and accrued expenses             | \$ 1,150,361                         | \$ 5,372,035           | \$ -                  | \$ 6,522,396            |
| Grants payable                                    | 37,570,653                           |                        | -                     | 37,570,653              |
| Capital lease obligations                         | -                                    | 388,170                | -                     | 388,170                 |
| Due to affiliated organization                    | 5,430,540                            |                        | (5,430,540)           | -                       |
| Total liabilities                                 | 44,151,554                           | 5,760,205              | (5,430,540)           | 44,481,219              |
| Net assets  |                                      |                        |                       |                         |
| Unrestricted                                      | 1,281,778,326                        | 264,551,678            | -                     | 1,546,330,004           |
| Temporarily restricted                            | 3,768,464                            | -                      | -                     | 3,768,464               |
| Permanently restricted                            | 1,963,961                            | 839,000                | -                     | 2,802,961               |
| Total net assets                                  | 1,287,510,751                        | 265,390,678            | -                     | 1,552,901,429           |
| Total liabilities and net assets                  | <u>\$ 1,331,662,305</u>              | <u>\$ 271,150,883</u>  | <u>\$ (5,430,540)</u> | <u>\$ 1,597,382,648</u> |

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

| ASSETS  | Robert R.<br>McCormick<br>Foundation | Cantigny<br>Foundation | Eliminations          | Consolidated<br>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 ACTIVITIES**  
**Year ended December 31, 2013**

|   | Robert R.<br>McCormick<br>Foundation | Cantigny<br>Foundation | Eliminations | Consolidated<br>total |
|---|--------------------------------------|------------------------|--------------|-----------------------|
| Change in unrestricted net assets   |                                      |                        |              |                       |
| Revenue   |                                      |                        |              |                       |
| Dividends and interest  | \$ 19,534,151                        | \$ 4,242,449           | \$ -         | \$ 23,776,600         |
| Contributions   | 14,925,632                           | 9,525                  | -            | 14,935,157            |
| Golf and restaurant operations  | -                                    | 6,880,274              | -            | 6,880,274             |
| Net realized gain on sales of investments   | 84,591,130                           | 4,213,103              | -            | 88,804,233            |
| Museum and park operations  | -                                    | 553,193                | -            | 553,193               |
| Other income  | 517                                  | 78,903                 | -            | 79,420                |
| Total revenue   | 119,051,430                          | 15,977,447             | -            | 135,028,877           |
| Expenses  |                                      |                        |              |                       |
| Employees' salaries and benefits  | 6,725,565                            | 11,792,673             | -            | 18,518,238            |
| Professional fees   | 3,202,971                            | 203,196                | -            | 3,406,167             |
| Depreciation expense  | 44,954                               | 2,650,393              | -            | 2,695,347             |
| Supplies  | 150,571                              | 1,047,633              | -            | 1,198,204             |
| Food and retail merchandise   | -                                    | 1,171,335              | -            | 1,171,335             |
| Rent and utilities  | 643,071                              | 464,489                | -            | 1,107,560             |
| Real estate taxes and insurance   | 101,786                              | 952,363                | -            | 1,054,149             |
| Fundraising program expenses  | 826,780                              | -                      | -            | 826,780               |
| Maintenance and repairs   | 164,542                              | 559,600                | -            | 724,142               |
| Programs and exhibits   | 629,490                              | 383,656                | -            | 1,013,146             |
| Other expenses  | 79,177                               | 497,190                | -            | 576,367               |
| Business meetings and travel  | 416,435                              | 171,349                | -            | 587,784               |
| Outside services  | 107,216                              | 460,685                | -            | 567,901               |
| Directors' fees   | 206,250                              | 123,750                | -            | 330,000               |
| Total expenses  | 13,298,808                           | 20,478,312             | -            | 33,777,120            |
| Excess (deficiency) of revenue over expenses  | 105,752,622                          | (4,500,865)            | -            | 101,251,757           |
| Grants approved   | (70,806,693)                         | -                      | 13,179,082   | (57,627,611)          |
| Contributions from the Robert R. McCormick Foundation   | -                                    | 13,179,082             | (13,179,082) | -                     |
| Excess of revenue over expenses and grants approved before net unrealized gain on investments | 34,945,929                           | 8,678,217              | -            | 43,624,146            |
| Net unrealized gain on investments  | 82,988,019                           | 35,189,858             | -            | 118,177,877           |
| Increase in unrestricted net assets   | 117,933,948                          | 43,868,075             | -            | 161,802,023           |
| Change in temporarily restricted net assets   |                                      |                        |              |                       |
| Contributions   | 2,624,561                            | -                      | -            | 2,624,561             |
| Unrealized gain on endowment  | 424,624                              | -                      | -            | 424,624               |
| Increase in temporarily restricted net assets   | 3,049,185                            | -                      | -            | 3,049,185             |
| <b>CHANGE IN NET ASSETS</b>   | 120,983,133                          | 43,868,075             | -            | 164,851,208           |
| Net assets, beginning of year   | 1,166,527,618                        | 221,522,603            | -            | 1,388,050,221         |
| Net assets, end of year   | \$ 1,287,510,751                     | \$ 265,390,678         | \$ -         | \$ 1,552,901,429      |

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

|   | Robert R.<br>McCormick<br>Foundation | Cantigny<br>Foundation | Eliminations | Consolidated<br>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              |
| Excess (deficiency) of revenue over 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 net unrealized gain on investments | 4,452,787                            | 5,523,829              | -            | 9,976,616               |
| Net unrealized 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                 |
| Increase in temporarily restricted net assets   | 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   | <u>\$ 1,166,527,618</u>              | <u>\$ 221,522,603</u>  | <u>\$ -</u>  | <u>\$ 1,388,050,221</u> |