Grant Thornton

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

Robert R. McCormick Foundations

December 31, 2014 and 2013

Contents

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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, 2014 and 2013, 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, 2014 and 2013, 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, 2014, the consolidating statements of financial position and activities for the years ended December 31, 2014 and 2013, are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying consolidating information is presented for purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual entities. 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.

Grant Thornton LLP

Chicago, Illinois
May 18, 2015

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

ASSETS	2014	2013
Cash and cash equivalents	$ 37,718,701	$ 93,391,496
Accounts receivable	2,859,497	3,607,777
Other assets	885,887	907,248
Investment securities (notes C and D)	1,535,197,282	1,470,240,266
Land, buildings, equipment and improvements		
Land (note G)	1,323,205	1,323,205
Buildings and improvements	41,475,072	41,223,637
Machinery, equipment, furniture and fixtures	11,600,409	11,176,185
Land improvements	18,065,473	14,020,777
Other infrastructure	3,478,551	3,478,551
Construction in process	489,713	2,124,598
Total land, buildings, equipment and improvements	76,432,423	73,346,953
Less accumulated depreciation	(47,016,830)	(44,111,092)
Land, buildings, equipment and improvements, net	29,415,593	29,235,861
TOTAL ASSETS	$ 1,606,076,960	$ 1,597,382,648

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 6,870,884	$ 6,522,396
Grants payable (note E)	36,955,831	37,570,653
Capital lease obligations	294,213	388,170
Total liabilities	44,120,928	44,481,219
Net assets		
Unrestricted	1,555,750,489	1,546,330,004
Temporarily restricted	3,402,582	3,768,464
Permanently restricted (note G)	2,802,961	2,802,961
Total net assets	1,561,956,032	1,552,901,429
TOTAL LIABILITIES AND NET ASSETS	$ 1,606,076,960	$ 1,597,382,648

The accompanying notes are an integral part of these statements.

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

	2014	2013
Change in unrestricted net assets		
Revenue		
Dividends and interest	$ 24,155,723	$ 23,776,600
Contributions (note H)	13,617,566	14,935,157
Golf and restaurant operations	7,237,039	7,098,078
Net realized gain on sales of investments	83,283,335	88,804,233
Net assets released from restrictions	2,624,561	-
Museum and park operations	943,985	790,680
Other income	68,948	79,420
Total revenue	131,931,157	135,484,168
Expenses		
Employees' salaries and benefits (note I)	15,304,365	18,518,238
Outside services - golf and food & beverage operations (note J)	4,008,751	-
Professional fees	2,424,614	3,406,167
Depreciation	2,923,037	2,695,347
Supplies	1,273,845	1,337,844
Food and retail merchandise	1,348,773	1,249,499
Rent and utilities	1,180,242	1,107,560
Real estate taxes and insurance	1,635,253	1,054,149
Fundraising and program expenses	712,419	826,780
Maintenance and repairs	769,575	724,142
Programs and exhibits	1,277,966	1,250,633
Other expenses	560,725	576,367
Business meetings and travel	593,190	587,784
Outside services - other	665,270	567,901
Directors' fees	284,167	330,000
Total expenses	34,962,192	34,232,411
Excess of revenue over expenses	96,968,965	101,251,757
Grants approved	(48,722,343)	(57,627,611)
Excess of revenue over expenses and grants approved before net unrealized (loss) gain on investments	48,246,622	43,624,146
Net unrealized (loss) gain on investments	(38,826,137)	118,177,877
Increase in unrestricted net assets	9,420,485	161,802,023
Change in temporarily restricted net assets		
Contributions	2,015,940	2,624,561
Net assets released from restrictions	(2,624,561)	-
Unrealized gain on endowment	242,739	424,624
(Decrease) Increase in temporarily restricted net assets	(365,882)	3,049,185
CHANGE IN NET ASSETS	9,054,603	164,851,208
Net assets, beginning of year	1,552,901,429	1,388,050,221
Net assets, end of year	$ 1,561,956,032	$ 1,552,901,429

The accompanying notes are an integral part of these statements.

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

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 9,054,603	$ 164,851,208
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized gain on sales of investments	(83,283,335)	(88,804,233)
Net unrealized loss (gain) on investments	38,583,398	(118,602,501)
Depreciation	2,923,037	2,695,347
Changes in assets and liabilities		
Decrease (increase) in accounts receivable and other assets	769,641	(485,697)
(Decrease) increase in grants payable	(614,822)	10,214,597
Increase in accounts payable and accrued expenses and capital lease obligation	254,531	792,983
Net cash used in operating activities	(32,312,947)	(29,338,296)
Cash flows from investing activities		
Proceeds from sale of investment securities	183,079,170	241,687,020
Purchases of investment securities	(203,353,548)	(161,524,576)
Purchases of equipment and improvements	(3,085,470)	(1,992,302)
Net cash (used in) provided by investing activities	(23,359,848)	78,170,142
Net change in cash and cash equivalents	(55,672,795)	48,831,846
Cash and cash equivalents, beginning of year	93,391,496	44,559,650
Cash and cash equivalents, end of year	$ 37,718,701	$ 93,391,496

The accompanying notes are an integral part of these statements.

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.

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.

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, 2014 and 2013, 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 2014 or 2013.

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.

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 2011, 2012, 2013 and 2014, 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 2013 amounts have been reclassified in order to provide the financial information on a basis consistent with the 2014 presentation.

NOTE C - INVESTMENT SECURITIES

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

	2014	2013
Investment securities		
Marketable securities		
Equities	$ 87,093,169	$ 125,159,471
Fixed income mutual funds	109,167,665	108,648,013
Equity mutual funds	147,603,148	136,225,000
Domestic equity funds	173,907,957	146,659,603
International equity index fund	190,803,907	198,087,692
Alternative investments		
International equity funds	185,195,450	186,611,543
High-yield credit	84,314,023	68,189,129
Hedge funds	420,970,543	377,430,221
Private equity	136,141,420	123,229,594
Total investment securities	$1,535,197,282	$1,470,240,266

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 $2,508,728 and $2,462,821 for the years ended December 31, 2014 and 2013, respectively.

Investments valued at net asset value (NAV) or its equivalent as of December 31, 2014, consisted of the following:

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Domestic equity funds (a)	$ 173,907,957	$ -	Semi-monthly	7-10 days
International equity index fund (b)	190,803,907	-	Semi-monthly	7 days
International equity funds (b)	185,195,450	-	Monthly - unlimited	4 - 30 days
High-yield credit (c)	84,314,023	-	Monthly - partnership termination	0 - 60 days
Hedge funds (d)	420,970,543	-	Monthly - annual	10 - 90 days
Private equity (e)	136,141,420	99,165,630	None until termination of partnership	
Total investments recorded at NAV	$1,191,333,300			

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

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

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

(d) This category includes investments in hedge funds that invest both long and short in U.S., European, and emerging market 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.

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 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.

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, 2014:

	Level 1	Level 2	Level 3	Fair value
Money market funds	$ 37,233,124	$ -	$ -	$ 37,233,124
Investments				
Marketable securities				
Equities	87,093,169	-	-	87,093,169
Fixed income mutual funds	109,167,665	-	-	109,167,665
Equity mutual funds	147,603,148	-	-	147,603,148
Domestic equity funds	-	173,907,957	-	173,907,957
International equity index fund	-	190,803,907	-	190,803,907
Alternative investments				
International equity funds	-	185,195,450	-	185,195,450
High-yield credit	-	39,340,661	44,973,362	84,314,023
Hedge funds	-	266,933,307	154,037,236	420,970,543
Private equity	-	-	136,141,420	136,141,420
Total assets at fair value	$381,097,106	$856,181,282	$335,152,018	$1,572,430,406

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:

	Level 1	Level 2	Level 3	Fair value
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	-	40,962,557	27,226,572	68,189,129
Hedge funds	-	223,654,092	153,776,129	377,430,221
Private equity	-	-	123,229,594	123,229,594
Total assets at fair value	$461,106,768	$795,975,487	$304,232,295	$1,561,314,550

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, 2014:

	High-yield credit	Hedge funds	Private equity	Total
Beginning balance, January 1, 2014	$27,226,572	$153,776,129	$123,229,594	$304,232,295
Total unrealized net gains	72,573	3,945,980	2,912,242	6,930,795
Realized gains	-	1,092,103	12,882,582	13,974,685
Purchases	20,000,000	241	44,714,605	64,714,846
Sales	(2,325,783)	(4,777,217)	(47,597,603)	(54,700,603)
Ending balance, December 31, 2014	$44,973,362	$154,037,236	$136,141,420	$335,152,018

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 credit	Hedge funds	Private 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	(438,409)	(20,880,506)	(66,292,885)	(87,611,800)
Ending balance, December 31, 2013	$27,226,572	$153,776,129	$123,229,594	$304,232,295

Unrealized gains (losses) related to Level 3 investments still held at year-end were $6,930,795 and $25,930,510, respectively, for the years ended December 31, 2014 and 2013.

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, 2014, are scheduled for payment as follows:

Years ending December 31,	Gross amount	Discounted amount
2015	$18,717,317	$18,413,495
2016	8,352,665	8,083,702
2017	5,799,435	5,521,582
2018	3,993,750	3,740,687
2019	1,200,000	1,105,718
Thereafter	100,000	90,647
Total	$38,163,167	$36,955,831

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 $598,590 in 2014 and $585,865 in 2013. Annual lease commitments are as follows:

Years ending December 31,	
2015	$ 628,202
2016	645,041
2017	662,116
2018	679,440
2019	697,020
Thereafter	412,627
Total	$3,724,446

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 $558,072 at December 31, 2014 and 2013. Accumulated depreciation was $348,795 and $279,036 at December 31, 2014 and 2013, 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:

Years ending December 31,	
2015	$101,325
2016	101,325
2017	101,325
Total	303,975
Amount representing interest at 1.65%	(9,762)
Present value of net minimum lease payments	$294,213

NOTE G - PERMANENTLY AND TEMPORARILY RESTRICTED ASSETS

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

In 2006, McCormick received a permanently restricted endowment from the Frances Bioff Trust (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, 2014:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Beginning balance, January 1, 2014	$ 16,044	$1,143,903	$1,963,961	$3,123,908
Dividends and interest	64,288	-	-	64,288
Unrealized gain	-	242,739	-	242,739
Amounts appropriated for expenditures	(80,332)	-	-	(80,332)
Ending balance, December 31, 2014	$ -	$1,386,642	$1,963,961	$3,350,603

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

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted 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	$ 16,044	$1,143,903	$1,963,961	$3,123,908

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

	2014	2013
Time restricted endowment earnings	$1,386,642	$1,143,903
Purpose restricted program funds:		
Welcome Back Veterans	1,891,069	2,099,445
Other Veterans Funds	100,755	-
Sun-Sentinel Children's Fund	24,116	-
Illinois Tornado Relief	-	525,116
Total temporarily restricted net assets	$3,402,582	$3,768,464

NOTE H - FUNDRAISING PROGRAMS

During 2014 and 2013, 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 2014 and 2013, 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 $20,322,000 and $19,907,000, and are included as a component of unrestricted net assets in the accompanying consolidated statements of financial position at December 31, 2014 and 2013, 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 $190,000 and $261,000 for 2014 and 2013, 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 $81,900 and $79,590 for 2014 and 2013, 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 ($6,125 in both 2014 and 2013). 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 $868,000, $478,000 and $95,000, respectively, in 2014 and $1,026,000, $524,000 and $89,000, respectively, in 2013.

NOTE J - GOLF AND FOOD & BEVERAGE OPERATIONS

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 & beverage operations became Kemper employees. These Kemper Sports Management expenses are reflected in the financial statements as outside services - golf and food & beverage operations.

NOTE K - SCHEDULE OF FUNCTIONAL EXPENSES

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

	2014	2013
Program services	$26,349,650	$24,839,244
Management and general administration	6,641,459	7,526,329
Fundraising	1,971,083	1,866,838
Total expenses	34,962,192	34,232,411
Grants approved	48,722,343	57,627,611
Total expenses and grants approved	$83,684,535	$91,860,022

NOTE L - 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.

NOTE M - SUBSEQUENT EVENTS

The Foundations evaluated their December 31, 2014, financial statements for subsequent events through May 18, 2015, the date the financial statements were available to be issued. No events require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Robert R. McCormick Foundations
SCHEDULE OF GRANT APPROVALS
Year ended December 31, 2014

Program	Number of grants	Total amount of grants approved
Fundraising programs		
Chicago Tribune Charities	1	$ 20,000
Chicago Tribune Holiday Campaign	61	3,950,000
LA Times Family Fund	37	1,550,000
Newsday Charities - Holiday	22	845,000
Newsday Charities - Summer	3	125,000
Orlando Sentinel Family Fund - Holiday	30	875,000
Orlando Sentinel Family Fund - Summer	4	125,000
Post-News Season to Share	62	2,445,000
Sun-Sentinel Children's Fund - Holiday	38	510,000
Washington Post Charities	6	160,060
WGN Radio 720 Neediest Kids Fund	20	485,000
Chicago Blackhawks Charities	13	695,000
Chicago Bulls Community Assist Fund	8	165,000
Chicago White Sox Community Fund	30	695,000
Colorado Rockies Charity Fund	25	942,500
Cubs Care	33	1,035,600
Illinois Tornado Relief	3	830,083
Orlando Magic Youth Fund	21	1,000,000
United Way of Metro Chicago Impact Fund	20	3,500,000
Welcome Back Veterans	4	3,392,361
General Fund	157	23,286,311
Total grants approved	598	46,631,915
Adjustment to present value		185,137
Grants approved, adjusted to present value		46,817,052
Direct charitable giving		623,454
Matching gifts		1,281,837
Total grants approved		$ 48,722,343

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Cash and cash equivalents	$ 34,110,741	$ 3,607,960	$ -	$ 37,718,701
Accounts receivable	1,952,900	906,597	-	2,859,497
Other assets	321,086	564,801	-	885,887
Investment securities	1,287,962,739	247,234,543	-	1,535,197,282
Land, buildings, equipment and improvements				
Land	-	1,323,205	-	1,323,205
Buildings and improvements	449,536	41,025,536	-	41,475,072
Machinery, equipment, furniture and fixtures	319,280	11,281,129	-	11,600,409
Land improvements	-	18,065,473	-	18,065,473
Other infrastructure	-	3,478,551	-	3,478,551
Construction in process	-	489,713	-	489,713
Total land, buildings, equipment and improvements	768,816	75,663,607	-	76,432,423
Less accumulated depreciation	(560,296)	(46,456,534)	-	(47,016,830)
Land, buildings, equipment and improvements, net	208,520	29,207,073	-	29,415,593
Due from affiliated organization	-	4,685,114	(4,685,114)	-
Total assets	$ 1,324,555,986	$ 286,206,088	$ (4,685,114)	$ 1,606,076,960

LIABILITIES AND NET ASSETS

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Liabilities				
Accounts payable and accrued expenses	$ 1,243,150	$ 5,627,734	$ -	$ 6,870,884
Grants payable	36,955,831	-	-	36,955,831
Capital lease obligations	-	294,213	-	294,213
Due to affiliated organization	4,685,114	-	(4,685,114)	-
Total liabilities	42,884,095	5,921,947	(4,685,114)	44,120,928
Net assets				
Unrestricted	1,276,305,348	279,445,141	-	1,555,750,489
Temporarily restricted	3,402,582		-	3,402,582
Permanently restricted	1,963,961	839,000	-	2,802,961
Total net assets	1,281,671,891	280,284,141	-	1,561,956,032
Total liabilities and net assets	$ 1,324,555,986	$ 286,206,088	$ (4,685,114)	$ 1,606,076,960

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

ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated 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	$ 1,331,662,305	$ 271,150,883	$ (5,430,540)	$ 1,597,382,648

LIABILITIES AND NET ASSETS

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
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	$ 1,331,662,305	$ 271,150,883	$ (5,430,540)	$ 1,597,382,648

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended December 31, 2014

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated Total
Change in unrestricted net assets				
Revenue				
Dividends and interest	$ 19,009,193	$ 5,146,530	$ -	$ 24,155,723
Contributions	13,562,036	55,530	-	13,617,566
Golf and restaurant operations	-	7,237,039	-	7,237,039
Net realized gain on sales of investments	71,773,762	11,509,573	-	83,283,335
Net assets released from restrictions	2,624,561	-	-	2,624,561
Museum and park operations	-	943,985	-	943,985
Other income	229	68,719	-	68,948
Total revenue	106,969,781	24,961,376	-	131,931,157
Expenses				
Employees' salaries and benefits	7,176,933	8,127,432	-	15,304,365
Outside services - golf and food & beverage operations	-	4,008,751	-	4,008,751
Professional fees	2,102,229	322,385	-	2,424,614
Depreciation	44,954	2,878,083	-	2,923,037
Supplies	160,769	1,113,076	-	1,273,845
Food and retail merchandise	-	1,348,773	-	1,348,773
Rent and utilities	657,696	522,546	-	1,180,242
Real estate taxes and insurance	99,333	1,535,920	-	1,635,253
Fundraising program expenses	712,419	-	-	712,419
Maintenance and repairs	194,220	575,355	-	769,575
Programs and exhibits	720,413	557,553	-	1,277,966
Other expenses	79,065	481,660	-	560,725
Business meetings and travel	457,781	135,409	-	593,190
Outside services	211,899	453,371	-	665,270
Directors' fees	177,740	106,427	-	284,167
Total expenses	12,795,451	22,166,741	-	34,962,192
Excess of revenue over expenses	94,174,330	2,794,635	-	96,968,965
Grants approved	(62,488,094)		13,765,751	(48,722,343)
Contributions from the Robert R. McCormick Foundation	-	13,765,751	(13,765,751)	-
Excess of revenue over expenses and grants approved before net unrealized gain on investments	31,686,236	16,560,386	-	48,246,622
Net unrealized loss on investments	(37,159,214)	(1,666,923)	-	(38,826,137)
(Decrease) Increase in unrestricted net assets	(5,472,978)	14,893,463	-	9,420,485
Change in temporarily restricted net assets				
Contributions	2,015,940		-	2,015,940
Amount released from restrictions	(2,624,561)			(2,624,561)
Unrealized gain on endowment	242,739	-	-	242,739
Increase in temporarily restricted net assets	(365,882)	-	-	(365,882)
CHANGE IN NET ASSETS	(5,838,860)	14,893,463	-	9,054,603
Net assets, beginning of year	1,287,510,751	265,390,678	-	1,552,901,429
Net assets, end of year	$ 1,281,671,891	$ 280,284,141	$ -	$ 1,561,956,032

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended December 31, 2013

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated 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	-	7,098,078	-	7,098,078
Net realized gain on sales of investments	84,591,130	4,213,103	-	88,804,233
Museum and park operations	-	790,680	-	790,680
Other income	517	78,903	-	79,420
Total revenue	119,051,430	16,432,738	-	135,484,168
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	44,954	2,650,393	-	2,695,347
Supplies	150,571	1,187,273	-	1,337,844
Food and retail merchandise	-	1,249,499	-	1,249,499
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	621,143	-	1,250,633
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	20,933,603	-	34,232,411
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 change in 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
CHANGE IN NET ASSETS	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