

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

Robert R. McCormick Foundations

December 31, 2017 and 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2017 and 2016, 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, 2017 and 2016, 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, 2017, the consolidating statements of financial position and activities as of and for the years ended December 31, 2017 and 2016, 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 and results of operations 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, 2018

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

ASSETS	2017	2016
Cash and cash equivalents	\$ 86,704,527	\$ 99,277,171
Accounts receivable	2,880,824	1,725,738
Other assets	588,390	541,562
Investment securities (notes C and D)	1,624,203,697	1,436,862,063
Land, buildings, equipment and improvements		
Land	1,323,205	1,323,205
Buildings and improvements	46,030,327	41,769,206
Machinery, equipment, furniture and fixtures	17,403,531	11,755,620
Land improvements	18,662,955	18,629,582
Other infrastructure	3,478,551	3,478,551
Construction in process	14,284,831	3,742,737
Total land, buildings, equipment and improvements	101,183,400	80,698,901
Less accumulated depreciation	(55,312,483)	(51,432,480)
Land, buildings, equipment and improvements, net	45,870,917	29,266,421
TOTAL ASSETS	\$ 1,760,248,355	\$ 1,567,672,955
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 9,515,757	\$ 7,915,444
Grants payable (note E)	24,503,850	27,050,802
Bond debt payable		
Bond debt payable (note G)	104,952	-
Less bond issuance costs	(516,334)	-
Bond debt payable, net	(411,382)	-
Capital lease obligations	603,557	-
Total liabilities	34,211,782	34,966,246
Net assets		
Unrestricted	1,719,746,237	1,526,551,782
Temporarily restricted (note H)	3,487,375	3,351,966
Permanently restricted (note H)	2,802,961	2,802,961
Total net assets	1,726,036,573	1,532,706,709
TOTAL LIABILITIES AND NET ASSETS	\$ 1,760,248,355	\$ 1,567,672,955

The accompanying notes are an integral part of these statements.

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

	2017	2016
Change in unrestricted net assets		
Revenue		
Dividends and interest	\$ 27,767,683	\$ 22,867,117
Contributions (note I)	10,769,651	22,158,035
Golf and restaurant operations	7,425,735	7,657,905
Net realized gain on sales of investments	38,602,804	28,366,413
Museum and park operations	883,241	1,163,224
Other income	40,246	70,544
Net assets released from restrictions	1,736,335	2,988,665
Total revenue	87,225,695	85,271,903
Expenses		
Employees' salaries and benefits (note J)	16,111,081	15,464,309
Outside services - golf and food & beverage operations (note K)	4,660,852	4,770,234
Depreciation	3,861,353	2,953,612
Unrelated business income tax	2,271,493	794,732
Professional fees	2,602,346	3,505,799
Programs and exhibits	1,801,649	2,197,314
Food and retail merchandise	1,439,043	1,434,619
Supplies	1,165,764	1,087,809
Rent and utilities	1,074,122	1,089,466
Real estate taxes and insurance	921,674	970,960
Maintenance and repairs	810,547	747,595
Other expenses	758,493	617,411
Outside services - other	671,817	478,083
Business meetings and travel	582,462	491,871
Fundraising and program expenses	448,691	880,736
Directors' fees	275,000	275,000
Total expenses	39,456,387	37,759,550
Excess of revenue over expenses	47,769,308	47,512,353
Grants approved	(59,634,670)	(53,428,540)
Deficit of revenue over expenses and grants approved before net unrealized gain on investments	(11,865,362)	(5,916,187)
Net unrealized gain on investments	205,059,817	48,698,269
Increase in unrestricted net assets	193,194,455	42,782,082
Change in temporarily restricted net assets		
Contributions	1,464,086	1,192,448
Net assets released from restrictions	(1,736,335)	(2,988,665)
Unrealized gain on endowment	407,658	213,363
Increase (decrease) in temporarily restricted net assets	135,409	(1,582,854)
CHANGE IN NET ASSETS	193,329,864	41,199,228
Net assets, beginning of year	1,532,706,709	1,491,507,481
Net assets, end of year	<u>\$ 1,726,036,573</u>	<u>\$ 1,532,706,709</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>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 193,329,864	\$ 41,199,228
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized gain on sales of investments	(38,602,804)	(28,366,413)
Net unrealized gain on investments	(205,467,475)	(48,911,632)
Depreciation and amortization	3,864,236	2,953,612
Changes in assets and liabilities		
Increase in accounts receivable and other assets	(1,201,914)	(86,726)
Decrease in grants payable	(2,546,952)	(2,809,864)
Increase in accounts payable and accrued expenses and capital lease obligation	<u>2,203,870</u>	<u>706,141</u>
Net cash used in operating activities	(48,421,175)	(35,315,654)
Cash flows from investing activities		
Proceeds from sale of investment securities and equipment	248,207,537	234,851,233
Purchases of investment securities	(191,412,381)	(183,756,970)
Purchases of equipment and improvements	<u>(20,532,359)</u>	<u>(3,744,001)</u>
Net cash provided by investing activities	36,262,797	47,350,262
Cash flows from financing activities		
Proceeds received from bond financing	104,952	-
Bond issuance costs	<u>(519,218)</u>	<u>-</u>
Net cash used in financing activities	<u>(414,266)</u>	<u>-</u>
Net change in cash and cash equivalents	(12,572,644)	12,034,608
Cash and cash equivalents, beginning of year	<u>99,277,171</u>	<u>87,242,563</u>
Cash and cash equivalents, end of year	<u>\$ 86,704,527</u>	<u>\$ 99,277,171</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes	\$ 2,710,742	\$ 238,997

The accompanying notes are an integral part of these statements.

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 I).
- 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 H) 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 serve on the boards of both foundations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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' consolidated 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, 2017 and 2016

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, 2017 and 2016, 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 \$5,000 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 consolidated statements 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 consolidated statements of financial position. There were no impairments to land, buildings and equipment for fiscal years 2017 or 2016.

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, 2017 and 2016

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 Financial Accounting Standards Board (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 consolidated financial statements. A provision for unrelated business income taxes is included in the consolidated financial statements.

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 consolidated 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.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. It is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, based upon the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is currently effective for the Foundations for 2018. Early adoption is permitted and entities are required to adopt the guidance retrospectively, but if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption. The

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Foundations are currently evaluating the impact that the adoption of ASU No. 2016-14 will have on their financial condition, results of operations and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The underlying principle of ASU No. 2016-02 is that lessees should be required to recognize the assets and liabilities arising from leases on the balance sheet. The accounting applied by a lessor is largely unchanged from that applied under previous guidelines. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The guidance is currently effective for the Foundations for 2020, and early adoption is permitted for all entities. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Foundations are currently evaluating the impact that the adoption of ASU No. 2016-02 will have on their financial condition, results of operations and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, approving a one-year deferral of the effective date for its new revenue standard for public and nonpublic entities reporting under generally accepted accounting principles (GAAP). The standard will be effective for the Foundations for 2019. Additionally, the FASB approved the option to early adopt prior to the original effective date (fiscal years beginning after December 15, 2016). The Foundations are currently evaluating the impact that the adoption of ASU No. 2014-09 will have on their financial condition, results of operations and disclosures.

Reclassification

Certain reclassifications were made to amounts in the 2016 consolidated financial statements to conform to the classifications used in 2017.

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

NOTE C - INVESTMENT SECURITIES

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

	<u>2017</u>	<u>2016</u>
Investment securities		
Marketable securities		
Fixed income mutual funds	\$ 43,208,814	\$ 40,618,276
Equity mutual funds	166,921,856	142,646,682
Domestic equity funds	276,757,622	231,139,421
International equity index fund	236,684,819	237,474,309
Alternative investments		
International equity funds	190,977,168	124,514,935
High-yield credit	115,565,448	84,637,681
Hedge funds	434,899,787	411,454,861
Private equity	<u>159,188,183</u>	<u>164,375,898</u>
Total investment securities	<u>\$1,624,203,697</u>	<u>\$1,436,862,063</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 \$1,590,387 and \$1,792,586 for the years ended December 31, 2017 and 2016, respectively.

Investments valued at net asset value (NAV) or its equivalent as of December 31, 2017, consisted of the following:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Domestic equity funds (a)	\$ 276,757,622	\$ -	Semi-monthly	7 - 10 days
International equity index fund (b)	236,684,819	-	Semi-monthly	7 days
International equity funds (b)	190,977,168	-	Monthly	30 days
High-yield credit (c)	115,565,448	-	Monthly - partnership termination	60 days
Hedge funds (d)	434,899,787	-	Monthly - annual	10 - 90 days
Private equity (e)	<u>159,188,183</u>	185,352,642	None until termination of partnership	
Total investments recorded at NAV	<u>\$1,414,073,027</u>			

(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.

Robert R. McCormick Foundations
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December 31, 2017 and 2016

- (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, debt securities, 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.

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.

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

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

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 the money market funds, recorded within cash and cash equivalents on the consolidated statements of financial position, are valued at the closing price of the fund at year-end, which approximates cost.

Fair values for the Foundations' fixed income and equity 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 domestic equity funds, international equity index funds and 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, 2017 and 2016

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 83,786,327	\$ -	\$ -	\$ 83,786,327
Investments				
Marketable securities				
Fixed income mutual funds	43,208,814	-	-	43,208,814
Equity mutual funds	<u>166,921,856</u>	-	-	<u>166,921,856</u>
	<u>\$293,916,997</u>	\$ -	\$ -	293,916,997
Investments, measured at NAV				
Domestic equity funds				276,757,622
International equity index fund				236,684,819
Alternative investments, measured at NAV				
International equity funds				190,977,168
High-yield credit				115,565,448
Hedge funds				434,899,787
Private equity				<u>159,188,183</u>
Total assets at fair value				<u>\$1,707,990,024</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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 98,613,871	\$ -	\$ -	\$ 98,613,871
Investments				
Marketable securities				
Fixed income mutual funds	40,618,276	-	-	40,618,276
Equity mutual funds	<u>142,646,682</u>	-	-	<u>142,646,682</u>
	<u>\$281,878,829</u>	\$ -	\$ -	281,878,829
Investments, measured at NAV				
Domestic equity funds				231,139,421
International equity index fund				237,474,309
Alternative investments, measured at NAV				
International equity funds				124,514,935
High-yield credit				84,637,681
Hedge funds				411,454,861
Private equity				<u>164,375,898</u>
Total assets at fair value				<u>\$1,535,475,934</u>

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

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, 2017, are scheduled for payment as follows:

<u>Years ending December 31.</u>	<u>Gross amount</u>	<u>Discounted amount</u>
2018	\$13,844,775	\$13,546,747
2019	5,374,466	5,145,570
2020	2,800,000	2,623,043
2021	2,500,000	2,291,587
2022	<u>1,000,000</u>	<u>896,903</u>
Total	<u>\$25,519,241</u>	<u>\$24,503,850</u>

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 both 2017 and 2016. Annual lease commitments are as follows:

<u>Years ending December 31.</u>	
2018	\$ 679,440
2019	697,020
2020	<u>412,627</u>
Total	<u>\$1,789,087</u>

Capital Lease Obligation

Cantigny entered into a new capital lease for golf carts on October 20, 2016, requiring annual payments of \$93,975 beginning May 2017 through December 2024. The golf carts are included in Cantigny's equipment and vehicles with a capitalized cost of \$690,494 at December 31, 2017. Accumulated depreciation was \$86,312 at December 31, 2017. 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:

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Years ending December 31,

2018	\$ 93,975
2019	93,975
2020	93,975
2021	93,975
2022	93,975
Thereafter	<u>187,950</u>
Total	657,825
Amount representing interest at 2.2%	<u>(54,268)</u>
Present value of net minimum lease payments	<u>\$603,557</u>

NOTE G – BOND DEBT PAYABLE

Bond debt payable at December 31, 2017, consists of the following amounts due to MB Financial Bank, N.A., which purchased bonds issued on behalf of Cantigny:

	<u>Original principal</u>	<u>Bond issuance costs amortized in 2017</u>	<u>Principal outstanding December 31, 2017</u>	<u>Maturity date</u>
Series 2017	\$ 104,952	-	\$ 104,952	December 1, 2047
Bond issuance costs	<u>(519,218)</u>	<u>\$2,884</u>	<u>\$(516,334)</u>	
Bond debt payable, net	<u>\$(414,266)</u>	<u>\$2,884</u>	<u>\$(411,382)</u>	

On December 27, 2017, Cantigny entered into a 15-year tax-exempt loan with MB Financial Bank, N.A. As part of the financing structure, the Illinois Finance Authority (the IFA) served as the conduit issuer for the Series 2017 Bonds. IFA issued the 2017 Bonds which were purchased by MB Financial Bank, N.A. and the proceeds were then loaned by IFA to Cantigny. Cantigny was the borrower and McCormick provided a guaranty of the obligations of Cantigny to MB Financial Bank, N.A. The IFA has no obligation regarding the repayment of debt service under the 2017 financing. The Series 2017 Bonds mature on December 1, 2047; however, the ownership of the tax-exempt Series 2017 bonds by MB Financial Bank, N.A. is subject to renewal, at the bank's sole discretion, in 2032.

The Series 2017 Bonds, in the original aggregate par amount of \$58,000,000, had an outstanding principal balance of \$104,952 as of December 31, 2017 with an undrawn balance of \$57,895,048. The undrawn balance is accessible during a six-year draw-down period commencing December 2017. The total interest costs incurred on these bonds in 2017 was \$3,017 including amortization of bond issuance costs. The purpose of the financing was to fund the costs of building improvements at Cantigny Park.

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

There are no required principal payments. The Series 2017 Bonds bear a variable interest rates which resets monthly. As of December 31, 2017, the Bonds bore interest at 2.39%. The Bond and Loan Agreement among MB Financial Bank, N.A., Cantigny, and IFA stipulates certain requirements regarding use of financed property and other matters regarding the tax status of the Bonds. The agreement between MB Financial Bank, N.A. and Cantigny stipulates financial and other covenants including a minimum level of eligible unrestricted cash and investments. As of December 31, 2017, Cantigny was in compliance with these financial covenants.

NOTE H - 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 consolidated 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, 2017:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Beginning balance, January 1, 2017	\$ -	\$1,548,076	\$1,963,961	\$3,512,037
Dividends and interest	76,489	-	-	76,489
Unrealized gain	-	407,658	-	407,658
Amounts appropriated for expenditures	<u>(76,489)</u>	<u>-</u>	<u>-</u>	<u>(76,489)</u>
Ending balance, December 31, 2017	<u>\$ -</u>	<u>\$1,955,734</u>	<u>\$1,963,961</u>	<u>\$3,919,695</u>

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

The table below presents a reconciliation of McCormick's Bioff endowment balances for the year ended December 31, 2016:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Beginning balance, January 1, 2016	\$ -	\$1,334,713	\$1,963,961	\$3,298,674
Dividends and interest	73,240	-	-	73,240
Unrealized gain	-	213,363	-	213,363
Amounts appropriated for expenditures	<u>(73,240)</u>	-	-	<u>(73,240)</u>
Ending balance, December 31, 2016	<u>\$ -</u>	<u>\$1,548,076</u>	<u>\$1,963,961</u>	<u>\$3,512,037</u>

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

	2017	2016
Time restricted endowment earnings	\$1,955,734	\$1,548,076
Purpose restricted program funds:		
McCormick Foundation Communities Matching Fund	771,722	-
One Summer Chicago	540,626	1,035,875
Chicago Tribune Charities – Holiday	68,922	-
Illinois Veterans Fund	67,554	96,925
Denver Post Season to Share	29,930	-
Orlando Sentinel Family Fund	26,132	-
All Other Funds	26,755	20,280
Welcome Back Veterans	<u>-</u>	<u>650,810</u>
Total temporarily restricted net assets	<u>\$3,487,375</u>	<u>\$3,351,966</u>

NOTE I - FUNDRAISING PROGRAMS

During 2017 and 2016, 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 2017 and 2016, 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, totaled approximately \$6,758,400 and \$18,112,000, and are included as a component of unrestricted

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

net assets in the accompanying consolidated statements of financial position at December 31, 2017 and 2016, respectively.

NOTE J - 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 \$142,000 and \$141,000 for 2017 and 2016, 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 \$89,040 and \$82,950 for 2017 and 2016, respectively. 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. Participants become vested in equal percentages over a three-year period. Permanent forfeitures, as defined, are used to reduce future employer contributions.

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 (\$6,300 in both 2017 and 2016). 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 \$922,000, \$514,000 and \$101,000, respectively, in 2017 and \$878,000, \$494,000 and \$99,000, respectively, in 2016.

NOTE K - GOLF AND FOOD & BEVERAGE OPERATIONS

In January 2014, Cantigny Foundation signed an agreement with Kemper Sports Management, Inc. (Kemper) to operate and manage the Cantigny golf and food & beverage operations 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 expenses are reflected in the consolidated financial statements as outside services - golf and food & beverage operations.

Robert R. McCormick Foundations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

NOTE L - SCHEDULE OF FUNCTIONAL EXPENSES

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

	<u>2017</u>	<u>2016</u>
Program services	\$27,597,158	\$26,568,424
Management and general administration	10,100,380	9,016,773
Fundraising	<u>1,758,849</u>	<u>2,174,353</u>
Total expenses	39,456,387	37,759,550
Grants approved	<u>59,634,670</u>	<u>53,428,540</u>
Total expenses and grants approved	<u>\$99,091,057</u>	<u>\$91,188,090</u>

NOTE M - 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 (the Committee) 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 note holder and retiree cases were dismissed by the U.S. District Court and that judgment was affirmed by the U.S. Court of Appeals in March of 2016. Petitions for a writ of certiorari in those cases are currently pending in the U.S. Supreme Court. In January 2017, the U.S. District Court issued an opinion dismissing the count alleging intentional fraudulent conveyance in the Committee's complaint. The Foundations moved to dismiss the other claims the Committee asserted against them, and that motion remains pending. 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 N - SUBSEQUENT EVENTS

The Foundations evaluated their December 31, 2017, consolidated financial statements for subsequent events through May 18, 2018, the date the consolidated 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, 2017

Program	Number of grants	Total amount of grants approved
Fundraising programs		
America Salutes You	5	\$ 33,630
Chicago Tribune Holiday Campaign	81	4,800,000
Denver Post Season to Share	52	2,343,405
LA Times Family Fund	40	1,705,872
Newsday Charities Fund	21	728,023
Orlando Sentinel Family Fund	31	1,347,000
Sun-Sentinel Children's Fund	44	708,651
WGN Radio 720 Neediest Kids Fund	1	125,000
Chicago Blackhawks Charities	14	770,000
Chicago Bulls Community Assist Fund	13	337,500
Chicago White Sox Community Fund	32	735,500
Colorado Rockies Charity Fund	25	2,121,619
Cubs Care	17	989,400
Orlando Magic Youth Fund	14	574,000
One Summer Chicago	33	3,898,239
United Way of Metro Chicago Impact Fund	30	6,992,370
Welcome Back Veterans	3	2,000,000
General Fund	172	27,680,503
	<u>628</u>	<u>57,890,712</u>
Total grants approved		57,890,712
Adjustment to present value		<u>(271,305)</u>
Grants approved, adjusted to present value		57,619,407
Direct charitable giving		802,021
Matching gifts		<u>1,213,242</u>
Total grants approved		<u>\$ 59,634,670</u>

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Cash and cash equivalents	\$ 83,429,816	\$ 3,274,711	\$ -	\$ 86,704,527
Accounts receivable	2,114,501	766,323	-	2,880,824
Other assets	-	588,390	-	588,390
Investment securities	1,306,270,194	317,933,503	-	1,624,203,697
Land, buildings, equipment and improvements				
Land	-	1,323,205	-	1,323,205
Buildings and improvements	455,343	45,574,984	-	46,030,327
Machinery, equipment, furniture and fixtures	394,674	17,008,857	-	17,403,531
Land improvements	-	18,662,955	-	18,662,955
Other infrastructure	-	3,478,551	-	3,478,551
Construction in process	-	14,284,831	-	14,284,831
Total land, buildings, equipment and improvements	850,017	100,333,383	-	101,183,400
Less accumulated depreciation	(762,889)	(54,549,594)	-	(55,312,483)
Land, buildings, equipment and improvements, net	87,128	45,783,789	-	45,870,917
Due from affiliated organization	-	5,036,736	(5,036,736)	-
Total assets	<u>\$ 1,391,901,639</u>	<u>\$ 373,383,452</u>	<u>\$ (5,036,736)</u>	<u>\$ 1,760,248,355</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 1,631,131	\$ 7,884,626	\$ -	\$ 9,515,757
Grants payable	24,503,850	-	-	24,503,850
Bond debt payable				
Bond debt payable	-	104,952	-	104,952
Less bond issuance costs	-	(516,334)	-	(516,334)
Bond debt payable, net	-	(411,382)	-	(411,382)
Capital lease obligations	-	603,557	-	603,557
Due to affiliated organization	5,036,736	-	(5,036,736)	-
Total liabilities	31,171,717	8,076,801	(5,036,736)	34,211,782
Net assets				
Unrestricted	1,355,278,586	364,467,651	-	1,719,746,237
Temporarily restricted	3,487,375	-	-	3,487,375
Permanently restricted	1,963,961	839,000	-	2,802,961
Total net assets	<u>1,360,729,922</u>	<u>365,306,651</u>	<u>-</u>	<u>1,726,036,573</u>
Total liabilities and net assets	<u>\$ 1,391,901,639</u>	<u>\$ 373,383,452</u>	<u>\$ (5,036,736)</u>	<u>\$ 1,760,248,355</u>

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Cash and cash equivalents	\$ 51,162,661	\$ 48,114,510	\$ -	\$ 99,277,171
Accounts receivable	1,153,132	572,606	-	1,725,738
Other assets	25,000	516,562	-	541,562
Investment securities	1,215,273,652	221,588,411	-	1,436,862,063
Land, buildings, equipment and improvements				
Land	-	1,323,205	-	1,323,205
Buildings and improvements	455,343	41,313,863	-	41,769,206
Machinery, equipment, furniture and fixtures	384,294	11,371,326	-	11,755,620
Land improvements	-	18,629,582	-	18,629,582
Other infrastructure	-	3,478,551	-	3,478,551
Construction in process	-	3,742,737	-	3,742,737
Total land, buildings, equipment and improvements	839,637	79,859,264	-	80,698,901
Less accumulated depreciation	(694,707)	(50,737,773)	-	(51,432,480)
Land, buildings, equipment and improvements, net	144,930	29,121,491	-	29,266,421
Due from affiliated organization	-	6,281,484	(6,281,484)	-
Total assets	<u>\$ 1,267,759,375</u>	<u>\$ 306,195,064</u>	<u>\$ (6,281,484)</u>	<u>\$ 1,567,672,955</u>

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable and accrued expenses	\$ 1,868,490	\$ 6,046,954	\$ -	\$ 7,915,444
Grants payable	27,050,802	-	-	27,050,802
Due to affiliated organization	6,281,484	-	(6,281,484)	-
Total liabilities	35,200,776	6,046,954	(6,281,484)	34,966,246
Net assets				
Unrestricted	1,227,242,672	299,309,110	-	1,526,551,782
Temporarily restricted	3,351,966	-	-	3,351,966
Permanently restricted	1,963,961	839,000	-	2,802,961
Total net assets	<u>1,232,558,599</u>	<u>300,148,110</u>	<u>-</u>	<u>1,532,706,709</u>
Total liabilities and net assets	<u>\$ 1,267,759,375</u>	<u>\$ 306,195,064</u>	<u>\$ (6,281,484)</u>	<u>\$ 1,567,672,955</u>

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended December 31, 2017

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Change in unrestricted net assets				
Revenue				
Dividends and interest	\$ 22,503,171	\$ 5,264,512	\$ -	\$ 27,767,683
Contributions	10,757,202	12,449	-	10,769,651
Golf and restaurant operations	-	7,425,735	-	7,425,735
Net realized gain on sales of investments	32,591,652	6,011,152	-	38,602,804
Museum and park operations	-	883,241	-	883,241
Other income	-	40,246	-	40,246
Net assets released from restrictions	1,736,335	-	-	1,736,335
Total revenue	67,588,360	19,637,335	-	87,225,695
Expenses				
Employees' salaries and benefits	7,645,691	8,465,390	-	16,111,081
Outside services - golf and food & beverage operations	-	4,660,852	-	4,660,852
Depreciation	70,282	3,791,071	-	3,861,353
Unrelated business income tax	2,271,493	-	-	2,271,493
Professional fees	2,314,486	287,860	-	2,602,346
Programs and exhibits	1,233,382	568,267	-	1,801,649
Food and retail merchandise	-	1,439,043	-	1,439,043
Supplies	141,842	1,023,922	-	1,165,764
Rent and utilities	656,474	417,648	-	1,074,122
Real estate taxes and insurance	137,624	784,050	-	921,674
Maintenance and repairs	231,805	578,742	-	810,547
Other expenses	100,513	657,980	-	758,493
Outside services - other	132,733	539,084	-	671,817
Business meetings and travel	421,125	161,337	-	582,462
Fundraising and program expenses	448,691	-	-	448,691
Directors' fees	172,000	103,000	-	275,000
Total expenses	15,978,141	23,478,246	-	39,456,387
Excess (deficit) of revenue over expenses	51,610,219	(3,840,911)	-	47,769,308
Grants approved	(88,983,939)	-	29,349,269	(59,634,670)
Contributions from the Robert R. McCormick Foundation	-	29,349,269	(29,349,269)	-
(Deficit) excess of revenue over expenses and grants approved before net unrealized gain on investments	(37,373,720)	25,508,358	-	(11,865,362)
Net unrealized gain on investments	165,409,634	39,650,183	-	205,059,817
Increase in unrestricted net assets	128,035,914	65,158,541	-	193,194,455
Change in temporarily restricted net assets				
Contributions	1,464,086	-	-	1,464,086
Net assets released from restrictions	(1,736,335)	-	-	(1,736,335)
Unrealized gain on endowment	407,658	-	-	407,658
Increase in temporarily restricted net assets	135,409	-	-	135,409
CHANGE IN NET ASSETS	128,171,323	65,158,541	-	193,329,864
Net assets, beginning of year	1,232,558,599	300,148,110	-	1,532,706,709
Net assets, end of year	<u>\$ 1,360,729,922</u>	<u>\$ 365,306,651</u>	<u>\$ -</u>	<u>\$ 1,726,036,573</u>

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Change in unrestricted net assets				
Revenue				
Dividends and interest	\$ 18,301,000	\$ 4,566,117	\$ -	\$ 22,867,117
Contributions	22,150,297	7,738	-	22,158,035
Golf and restaurant operations	-	7,657,905	-	7,657,905
Net realized gain on sales of investments	17,204,364	11,162,049	-	28,366,413
Museum and park operations	-	1,163,224	-	1,163,224
Other income	13,941	56,603	-	70,544
Net assets released from restrictions	2,988,665	-	-	2,988,665
	<u>60,658,267</u>	<u>24,613,636</u>	<u>-</u>	<u>85,271,903</u>
Total revenue				
Expenses				
Employees' salaries and benefits	7,289,443	8,174,866	-	15,464,309
Outside services - golf and food & beverage operations	-	4,770,234	-	4,770,234
Depreciation	67,786	2,885,826	-	2,953,612
Unrelated business income tax	794,732	-	-	794,732
Professional fees	3,276,496	229,303	-	3,505,799
Programs and exhibits	1,629,673	567,641	-	2,197,314
Food and retail merchandise	-	1,434,619	-	1,434,619
Supplies	153,320	934,489	-	1,087,809
Rent and utilities	660,724	428,742	-	1,089,466
Real estate taxes and insurance	140,326	830,634	-	970,960
Maintenance and repairs	230,000	517,595	-	747,595
Other expenses	136,632	480,779	-	617,411
Outside services - other	97,679	380,404	-	478,083
Business meetings and travel	338,342	153,529	-	491,871
Fundraising and program expenses	880,736	-	-	880,736
Directors' fees	176,000	99,000	-	275,000
	<u>15,871,889</u>	<u>21,887,661</u>	<u>-</u>	<u>37,759,550</u>
Total expenses				
Excess of revenue over expenses	44,786,378	2,725,975	-	47,512,353
Grants approved	(69,102,549)	-	15,674,009	(53,428,540)
Contributions from the Robert R. McCormick Foundation	-	15,674,009	(15,674,009)	-
(Deficit) excess of revenue over expenses and grants approved before net unrealized gain on investments	-	18,399,984	-	(5,916,187)
Net unrealized gain on investments	42,271,806	6,426,463	-	48,698,269
	<u>17,955,635</u>	<u>24,826,447</u>	<u>-</u>	<u>42,782,082</u>
Increase in unrestricted net assets				
Change in temporarily restricted net assets				
Contributions	1,192,448	-	-	1,192,448
Net assets released from restrictions	(2,988,665)	-	-	(2,988,665)
Unrealized gain on endowment	213,363	-	-	213,363
	<u>(1,582,854)</u>	<u>-</u>	<u>-</u>	<u>(1,582,854)</u>
Decrease in temporarily restricted net assets				
CHANGE IN NET ASSETS	<u>16,372,781</u>	<u>24,826,447</u>	<u>-</u>	<u>41,199,228</u>
Net assets, beginning of year	1,216,185,818	275,321,663	-	1,491,507,481
Net assets, end of year	<u>\$ 1,232,558,599</u>	<u>\$ 300,148,110</u>	<u>\$ -</u>	<u>\$ 1,532,706,709</u>