

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

**Robert R. McCormick Foundations**

December 31, 2018 and 2017

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and the consolidating statements of financial position and activities as of and for the year ended December 31, 2018 and 2017 are presented for 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, and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Arlington, Virginia  
May 15, 2019

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

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 101,517,680	\$ 86,704,527
Accounts receivable	1,791,206	2,880,824
Other assets	1,208,009	588,390
Investment securities (notes C and D)	1,458,200,716	1,624,203,697
Land, buildings, equipment and improvements		
Land	1,323,205	1,323,205
Buildings and improvements	49,721,220	46,030,327
Machinery, equipment, furniture and fixtures	18,583,617	17,403,531
Land improvements	38,568,335	18,662,955
Other infrastructure	3,478,551	3,478,551
Construction in process	<u>2,500,439</u>	<u>14,284,831</u>
Total land, buildings, equipment and improvements	114,175,367	101,183,400
Less accumulated depreciation	<u>(60,359,973)</u>	<u>(55,312,483)</u>
Land, buildings, equipment and improvements, net	<u>53,815,394</u>	<u>45,870,917</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,616,533,005</u></b>	<b><u>\$ 1,760,248,355</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 9,716,735	\$ 9,515,757
Grants payable (note E)	26,312,189	24,503,850
Bond debt payable		
Bond debt payable (note G)	31,307,228	104,952
Less bond issuance costs	<u>(491,575)</u>	<u>(516,334)</u>
Bond debt payable, net	30,815,653	(411,382)
Capital lease obligations	<u>517,453</u>	<u>603,557</u>
Total liabilities	67,362,030	34,211,782
Net assets		
Without donor restrictions	1,543,401,855	1,719,746,237
With donor restrictions (note H)	<u>5,769,120</u>	<u>6,290,336</u>
Total net assets	<u>1,549,170,975</u>	<u>1,726,036,573</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,616,533,005</u></b>	<b><u>\$ 1,760,248,355</u></b>

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

	2018	2017
Change in net assets without donor restrictions		
Revenue		
Investment return, net	\$ (105,863,109)	\$ 270,193,029
Contributions (note I)	6,935,571	10,769,651
Golf and restaurant operations	7,394,382	7,425,735
Museum and park operations	1,110,388	883,241
Other income	45,058	40,246
Net assets released from restrictions	1,151,766	1,736,335
Total revenue	(89,225,944)	291,048,237
Expenses		
Employees' salaries and benefits (note J)	16,148,724	15,725,053
Depreciation	5,137,623	3,861,353
Outside services - golf and food & beverage operations (note K)	4,722,918	4,660,852
Professional fees	3,405,503	1,754,670
Programs and exhibits	2,203,137	1,801,649
Food and retail merchandise	1,442,015	1,439,043
Rent and utilities	1,328,517	1,074,122
Supplies	1,182,914	1,165,764
Real estate taxes and insurance	1,097,678	921,674
Other expenses	1,037,076	760,423
Maintenance and repairs	829,458	810,547
Business meetings and travel	663,319	582,462
Fundraising and program expenses	530,190	448,691
Outside services - other	511,907	671,817
Directors' fees	275,000	275,000
Unrelated business income tax	45,913	2,265,992
Total expenses	40,561,892	38,219,112
(Deficit) excess of revenue over expenses	(129,787,836)	252,829,125
Grants approved	(46,556,546)	(59,634,670)
(Decrease) increase in net assets without donor restrictions	(176,344,382)	193,194,455
Change in net assets with donor restrictions		
Contributions	825,652	1,464,086
Net assets released from restrictions	(1,151,766)	(1,736,335)
Unrealized (loss) gain on endowment	(195,102)	407,658
(Decrease) increase in net assets with donor restrictions	(521,216)	135,409
<b>CHANGE IN NET ASSETS</b>	(176,865,598)	193,329,864
Net assets, beginning of year	1,726,036,573	1,532,706,709
Net assets, end of year	\$ 1,549,170,975	\$ 1,726,036,573

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

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (176,865,598)	\$ 193,329,864
Adjustments to reconcile change in net assets to net cash used in operating activities		
Gains and losses on investments, net	129,775,767	(244,070,279)
Depreciation and amortization	5,172,942	3,864,236
Changes in assets and liabilities		
Decrease (increase) in accounts receivable and other assets	469,999	(1,201,914)
Increase (decrease) in grants payable	1,808,339	(2,546,952)
Increase in accounts payable and accrued expenses and capital lease obligation	114,874	2,203,870
Net cash used in operating activities	(39,523,677)	(48,421,175)
Cash flows from investing activities		
Proceeds from sale of investment securities and equipment	156,662,866	248,207,537
Purchases of investment securities	(120,428,719)	(191,412,381)
Purchases of equipment and improvements	(13,089,033)	(20,532,359)
Net cash provided by investing activities	23,145,114	36,262,797
Cash flows from financing activities		
Proceeds received from bond financing	31,202,276	104,952
Bond issuance costs	(10,560)	(519,218)
Net cash provided by (used in) financing activities	31,191,716	(414,266)
Net change in cash and cash equivalents	14,813,153	(12,572,644)
Cash and cash equivalents, beginning of year	86,704,527	99,277,171
Cash and cash equivalents, end of year	<u>\$ 101,517,680</u>	<u>\$ 86,704,527</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	\$ 715,273	\$ 2,710,742

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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**NOTE A - ORGANIZATION**

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

- Robert R. McCormick Foundation (McCormick) was established under provisions in the last will and testament of Colonel Robert R. McCormick and is currently organized under the General Not for Profit Corporation Act of Illinois. McCormick's primary mission is to develop 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 park and golf 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**

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 without donor restrictions if they are not subject to donor-imposed restrictions. Net assets and related activity subject to donor-imposed restrictions are classified as with donor restrictions, based on the donors' stipulations. Contributions and investment returns expended in the year they are received are presented as revenue without donor restrictions in the financial statements.

***Revenue***

Revenue without donor restrictions is reported as an increase in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Interest, dividend income, realized gains and losses, and unrealized gains and losses on sales of investments without donor restrictions are reported as investment return. Investment-related expenses are netted against the investment return. Investment return on donor-restricted endowment funds is reported as changes in net assets with donor restrictions.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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

Revenue from park and golf 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, 2018 and 2017, 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 2018 or 2017.

***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 Financial Accounting Standards Board (FASB) has issued guidance that requires the tax effects from uncertain tax positions to be

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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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 net assets without donor restrictions 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 without donor restrictions.

***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. The Foundations have adopted ASU No. 2016-14 and have implemented its specific requirements 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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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 2017 consolidated financial statements to conform to the classifications used in 2018 as it pertains to the adoption of ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*.

**NOTE C - INVESTMENT SECURITIES**

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

	2018	2017
Investment securities		
Marketable securities		
Fixed income mutual funds	\$ 44,008,617	\$ 43,208,814
Equity mutual funds	160,009,267	166,921,856
Domestic equity funds	230,334,016	276,757,622
International equity index fund	177,487,810	236,684,819
Alternative investments		
International equity funds	173,548,826	190,977,168
High-yield credit	109,008,308	115,565,448
Hedge funds	386,751,010	434,899,787
Private equity	<u>177,052,862</u>	<u>159,188,183</u>
Total investment securities	<u>\$1,458,200,716</u>	<u>\$1,624,203,697</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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

Investments valued at net asset value (NAV) or its equivalent as of December 31, 2018, consisted of the following:

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Domestic equity funds (a)	\$ 230,334,016	\$ -	Semi-monthly	7 - 10 days
International equity index fund (b)	177,487,810	-	Semi-monthly	7 days
International equity funds (b)	173,548,826	-	Monthly	30 days
High-yield credit (c)	109,008,308	-	Monthly - partnership termination	60 days
Hedge funds (d)	386,751,010	-	Monthly - annual	10 - 90 days
Private equity (e)	<u>177,052,862</u>	219,173,519	None until termination of partnership	
Total investments recorded at NAV	<u>\$1,254,182,832</u>			

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

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
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.
- (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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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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 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.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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.

The following table presents the Foundations' fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 23,400,194	\$ -	\$ -	\$ 23,400,194
Investments				
Marketable securities				
Fixed income mutual funds	44,008,617	-	-	44,008,617
Equity mutual funds	<u>160,009,267</u>	<u>-</u>	<u>-</u>	<u>160,009,267</u>
	<u>\$227,418,078</u>	<u>\$-</u>	<u>\$-</u>	227,418,078
Investments, measured at NAV				
Domestic equity funds				230,334,016
International equity index fund				177,487,810
Alternative investments, measured at NAV				
International equity funds				173,548,826
High-yield credit				109,008,308
Hedge funds				386,751,010
Private equity				<u>177,052,862</u>
Total assets at fair value				<u>\$1,481,600,910</u>

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

The following table presents the Foundations' fair value hierarchy for those assets 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>-</u>	<u>-</u>	<u>166,921,856</u>
	<u>\$293,916,997</u>	<u>\$-</u>	<u>\$-</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>

**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, 2018, are scheduled for payment as follows:

<u>Years ending December 31,</u>	<u>Gross amount</u>	<u>Discounted amount</u>
2019	\$15,652,208	\$15,268,957
2020	6,225,000	5,923,889
2021	4,250,000	3,945,393
2022	1,150,000	1,041,437
2023	<u>150,000</u>	<u>132,513</u>
Total	<u>\$27,427,208</u>	<u>\$26,312,189</u>

**NOTE F - LEASES**

***Operating Lease Commitments***

In 2009, McCormick signed an 11-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 2018 and 2017. In 2018, Cantigny entered

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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into a 3-year operating lease with Blue Peak Tents, Inc. for a tent to host large banquets. Rent expense pertaining to this lease was \$148,532 in 2018. Annual lease commitments are as follows:

Years ending December 31,

2019	\$ 845,552
2020	<u>561,159</u>
Total	<u>\$1,406,711</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, 2018 and 2017. Accumulated depreciation was \$172,623 and \$86,312 at December 31, 2018 and 2017, 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,

2019	\$ 93,975
2020	93,975
2021	93,975
2022	93,975
2023	93,975
Thereafter	<u>93,975</u>
Total	563,850
Amount representing interest at 2.5%	<u>(46,397)</u>
Present value of net minimum lease payments	<u>\$517,453</u>

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

**NOTE G – BOND DEBT PAYABLE**

Bond debt payable at December 31, 2018 and 2017, respectively, consists of the following amounts due to MB Financial Bank, N.A. (n/k/a Fifth Third Bank NA, successor by merger), which purchased bonds issued on behalf of Cantigny:

	Principal outstanding December 31, 2018	Principal outstanding December 31, 2017	Maturity date
Series 2017	\$31,307,228	\$ 104,952	December 1, 2047
Bond issuance costs	<u>(491,575)</u>	<u>(516,334)</u>	
Bond debt payable, net	<u>\$30,815,653</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 Series 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 Series 2017 Bonds are subject to mandatory tender in 2032 unless MB Financial Bank, N.A., at its sole discretion, exercises its right to continue to own the Series 2017 Bonds.

The Series 2017 Bonds, in the original aggregate par amount of \$58,000,000, had an outstanding principal balance of \$31,307,228 and \$104,952 with an undrawn balance of \$26,692,772 and \$57,895,048 as of December 31, 2018 and 2017, respectively. The undrawn balance is accessible during a six-year draw-down period commencing December 2017. The total interest costs incurred on these bonds were \$453,454 and \$3,017 in 2018 and 2017, respectively, including amortization of bond issuance costs. The purpose of the financing was to fund the costs of land and building improvements at Cantigny Park.

Principal on the Series 2017 Bonds is due at maturity with no regularly required principal payments. The Series 2017 Bonds bear a variable interest rate which resets monthly. The Series 2017 Bonds bore interest at 3.43% and 2.39% as of December 31, 2018 and 2017, respectively. 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 Series 2017 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, 2018, Cantigny was in compliance with these financial covenants.

**NOTE H - NET ASSETS WITH DONOR RESTRICTIONS**

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 net assets with donor restrictions.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

In 2006, McCormick received a perpetually 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 released from restriction and included in net assets without donor restrictions 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 net assets with donor restrictions and is also to be used for the sole benefit of abandoned and impoverished children.

The table below presents a reconciliation of McCormick's Bioff endowment balances for the year ended December 31, 2018:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Beginning balance, January 1, 2018	\$ -	\$3,919,695	\$3,919,695
Dividends and interest	86,281	-	86,281
Investment return, net	-	(195,102)	(195,102)
Amounts appropriated for expenditures	<u>(86,281)</u>	<u>-</u>	<u>(86,281)</u>
Ending balance, December 31, 2018	<u>\$ -</u>	<u>\$3,724,593</u>	<u>\$3,724,593</u>

The table below presents a reconciliation of McCormick's Bioff endowment balances for the year ended December 31, 2017:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Beginning balance, January 1, 2017	\$ -	\$3,512,037	\$3,512,037
Dividends and interest	76,489	-	76,489
Investment return, net	-	407,658	407,658
Amounts appropriated for expenditures	<u>(76,489)</u>	<u>-</u>	<u>(76,489)</u>
Ending balance, December 31, 2017	<u>\$ -</u>	<u>\$3,919,695</u>	<u>\$3,919,695</u>

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

The following is a summary of net assets with donor restrictions at December 31:

	<u>2018</u>	<u>2017</u>
Net assets restricted by purpose:		
Bioff endowment earnings	\$1,760,632	\$1,955,734
One Summer Chicago	496,674	540,626
MF Communities Matching Fund	312,759	771,722
Chicago Tribune Charities - Holiday	239,299	68,922
Illinois Veterans Fund	67,554	67,554
Orlando Sentinel Family Fund	34,655	26,132
LA Times Family Fund	26,509	18,665
Denver Post Season to Share	13,876	29,930
All Other Funds	<u>14,201</u>	<u>8,091</u>
Total net assets restricted by purpose	2,966,159	3,487,375
Net assets with perpetual restrictions:		
Colonel McCormick's estate held in trust	839,000	839,000
Bioff Trust endowment	<u>1,963,961</u>	<u>1,963,961</u>
Total net assets with perpetual restrictions	<u>2,802,961</u>	<u>2,802,961</u>
Total net assets with donor restrictions	<u>\$5,769,120</u>	<u>\$6,290,336</u>

**NOTE I - FUNDRAISING PROGRAMS**

During 2018 and 2017, various fundraising programs were conducted by McCormick. Current programs are designed to enhance the charitable efforts of McCormick by collaborating with various other charitable entities. The purpose of each program is to increase philanthropy and attract contributions from the general public. In 2018 and 2017, the programs primarily focused on charitable activities in local communities. 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 \$4,734,000 and \$6,758,400, and are included as a component of net assets without donor restrictions in the accompanying consolidated statements of financial position at December 31, 2018 and 2017, 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

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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administrator. Claims expenses on the self-funded portion for the Foundations' employees totaled approximately \$138,000 and \$142,000 for 2018 and 2017, 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 \$89,880 and \$89,040 for 2018 and 2017, 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 (\$6,500 and \$6,300 for 2018 and 2017, respectively). Participants are fully vested in employer contributions that have been paid.

Employer contributions for employees of the Foundations under the defined contribution plan, the 403(b)(7) matching plan and the 457(b) deferred compensation plan were approximately \$954,000, \$555,000 and \$86,000, respectively, in 2018 and \$922,000, \$514,000 and \$101,000, respectively, in 2017.

**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 initial term with an automatic five-year renewal term if neither party provides written termination notification 180 days prior to the end of the initial five year term. No such notification was made by either party prior to the July 23, 2018 deadline to do so. The agreement may also be terminated at any time if both parties mutually agree in writing. 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.

**NOTE L - SCHEDULE OF FUNCTIONAL EXPENSES**

Functional expenses contain categories of expenses that are attributable to one or more program or supporting functions of the Foundations. The expense categories that are allocated include professional fees and outside services, office and occupancy, other expenses and depreciation. Each of those categories is allocated based upon time and effort.

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

Expenses by functional category were as follows for the year ended December 31, 2018:

	McCormick Foundation program services	Cantigny Foundation program services	Management and general	Fundraising	Total
Employee salaries and benefits	\$ 4,307,088	\$ 7,753,364	\$3,263,708	\$ 824,564	\$16,148,724
Programming and merchandising	1,587,303	6,883,500	-	-	8,470,803
Depreciation	29,166	4,671,648	431,240	5,569	5,137,623
Professional fees and outside services	134,654	273,564	3,851,822	549,022	4,809,062
Office and occupancy	649,805	2,448,834	525,049	124,065	3,747,753
Other expenses	443,482	832,414	835,718	90,400	2,202,014
Unrelated business income tax	-	-	<u>45,913</u>	-	<u>45,913</u>
Total expenses	7,151,498	22,863,324	8,953,450	1,593,620	40,561,892
Grants approved	<u>46,556,546</u>	-	-	-	<u>46,556,546</u>
	<u>\$53,708,044</u>	<u>\$22,863,324</u>	<u>\$8,953,450</u>	<u>\$1,593,620</u>	<u>\$87,118,438</u>

Expenses by functional category were as follows for the year ended December 31, 2017:

	McCormick Foundation program services	Cantigny Foundation program services	Management and general	Fundraising	Total
Employee salaries and benefits	\$ 4,221,648	\$ 7,247,326	\$3,186,807	\$1,069,272	\$15,725,053
Programming and merchandising	1,266,655	6,716,985	-	-	7,983,640
Depreciation	41,356	3,472,406	336,922	10,669	3,861,353
Professional fees and outside services	225,697	445,224	2,307,280	391,941	3,370,142
Office and occupancy	635,211	2,172,468	476,784	163,871	3,448,334
Other expenses	408,146	744,037	289,319	123,096	1,564,598
Unrelated business income tax	-	-	<u>2,265,992</u>	-	<u>2,265,992</u>
Total expenses	6,798,713	20,798,446	8,863,104	1,758,849	38,219,112
Grants approved	<u>59,634,670</u>	-	-	-	<u>59,634,670</u>
	<u>\$66,433,383</u>	<u>\$20,798,446</u>	<u>\$8,863,104</u>	<u>\$1,758,849</u>	<u>\$97,853,782</u>

**NOTE M - PENDING LITIGATION**

McCormick and Cantigny were named as defendants in federal court related to the 2007 leveraged buyout of Tribune Company. The plaintiffs in the three lawsuits are Tribune Company noteholders, retired Tribune Company employees, and a Litigation Trustee appointed by the court overseeing the Tribune Bankruptcy. The district court dismissed the noteholder and retiree cases in September 2013. Although that judgment was initially affirmed on appeal, the court of appeals is again considering the appeal in light of an intervening Supreme Court decision in another case. In the Trustee lawsuit, the district court dismissed all claims against the Foundations in January 2017 and November 2018. On April 4, 2019, the Trustee filed a motion to amend

**Robert R. McCormick Foundations**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2018 and 2017**

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this dismissed complaint to add a federal constructive fraudulent transfer claim against the Foundations and other defendants. On April 23, 2019, the district court denied that motion. The Foundations' management believes the claims asserted against the Foundations are meritless and will oppose Plaintiffs' efforts to revive them. In the opinion of the Foundations' management, any potential loss exposure from this pending litigation is indeterminable at this time.

**NOTE N – LIQUIDITY AND AVAILABILITY**

The Foundations structure their financial assets to be available and liquid as their grants, general expenditures, and other obligations become due. As part of their investment policy, the Foundations' target allocation for their fixed income is 15% and equity investment securities is 55%, all of which can be liquidated within 90 days or less. Excess cash is invested in short-term money market funds. The Board approves the annual budget for general expenditures and reviews actual investment asset allocations versus target allocations and actual expenditures versus budget on a quarterly basis. Financial assets available to meet general expenditures within one year, as of December 31, 2018, are as follows:

Cash and cash equivalents	\$ 101,517,680
Accounts receivable	1,791,206
Other assets	1,208,009
Investment securities	1,458,200,716
Land, buildings, equipment and improvements, net	<u>53,815,394</u>
Total assets	1,616,533,005
Less amounts not available to be used within one year:	
Other assets	1,208,009
Private equity investment securities	177,052,862
Land, buildings, equipment and improvements, net	<u>53,815,394</u>
Financial assets available to meet general expenditures within one year	<u>\$1,384,456,740</u>

**NOTE O - SUBSEQUENT EVENTS**

The Foundations evaluated their December 31, 2018, consolidated financial statements for subsequent events through May 15, 2019, 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, 2018**

Program	Number of grants	Total amount of grants approved
Fundraising programs		
A Better Chicago	7	\$ 1,500,000
Chicago Tribune Charities	1	11,083
Chicago Tribune Holiday Campaign	33	1,303,094
Denver Post Season to Share	2	43,095
Impact Englewood	1	140,000
LA Times Family Fund	1	26,009
McCormick Communities Matching Fund	23	1,736,823
Newsday Charities Fund	2	8,815
Chicago Blackhawks Charities	10	475,000
Chicago Bulls Community Assist Fund	15	370,000
Chicago White Sox Community Fund	30	725,500
Cubs Care	12	856,980
One Summer Chicago	5	166,177
United Way Neighborhood Network Fund	1	1,500,000
Welcome Back Veterans	7	1,785,000
General Fund	<u>221</u>	<u>34,081,832</u>
Total program grants approved	<u><u>371</u></u>	44,729,408
Adjustment to present value		<u>(99,628)</u>
Program grants approved, adjusted to present value		44,629,780
Direct charitable giving		696,025
Matching gifts		<u>1,230,741</u>
Total grants approved		<u><u>\$ 46,556,546</u></u>

**Robert R. McCormick Foundations**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

<b>ASSETS</b>	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Cash and cash equivalents	\$ 73,063,007	\$ 28,454,673	\$ -	\$ 101,517,680
Accounts receivable	1,188,799	602,407	-	1,791,206
Other assets	564,110	643,899	-	1,208,009
Investment securities	1,179,818,444	278,382,272	-	1,458,200,716
Land, buildings, equipment and improvements				
Land	-	1,323,205	-	1,323,205
Buildings and improvements	455,343	49,265,877	-	49,721,220
Machinery, equipment, furniture and fixtures	394,674	18,188,943	-	18,583,617
Land improvements	-	38,568,335	-	38,568,335
Other infrastructure	-	3,478,551	-	3,478,551
Construction in process	-	2,500,439	-	2,500,439
Total land, buildings, equipment and improvements	850,017	113,325,350	-	114,175,367
Less accumulated depreciation	(811,500)	(59,548,473)	-	(60,359,973)
Land, buildings, equipment and improvements, net	38,517	53,776,877	-	53,815,394
Due from affiliated organization	-	6,808,898	(6,808,898)	-
Total assets	<u>\$ 1,254,672,877</u>	<u>\$ 368,669,026</u>	<u>\$ (6,808,898)</u>	<u>\$ 1,616,533,005</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 1,336,977	\$ 8,379,758	\$ -	\$ 9,716,735
Grants payable	26,312,189	-	-	26,312,189
Bond debt payable				
Bond debt payable	-	31,307,228	-	31,307,228
Less bond issuance costs	-	(491,575)	-	(491,575)
Bond debt payable, net	-	30,815,653	-	30,815,653
Capital lease obligations	-	517,453	-	517,453
Due to affiliated organization	6,808,898	-	(6,808,898)	-
Total liabilities	34,458,064	39,712,864	(6,808,898)	67,362,030
Net assets				
Without donor restrictions	1,215,284,693	328,117,162	-	1,543,401,855
With donor restrictions	4,930,120	839,000	-	5,769,120
Total net assets	<u>1,220,214,813</u>	<u>328,956,162</u>	<u>-</u>	<u>1,549,170,975</u>
Total liabilities and net assets	<u>\$ 1,254,672,877</u>	<u>\$ 368,669,026</u>	<u>\$ (6,808,898)</u>	<u>\$ 1,616,533,005</u>

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

<b>ASSETS</b>	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>
<b>LIABILITIES AND NET ASSETS</b>				
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				
Without donor restrictions	1,355,278,586	364,467,651	-	1,719,746,237
With donor restrictions	5,451,336	839,000	-	6,290,336
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 ACTIVITIES**  
Year ended December 31, 2018

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Change in net assets without donor restrictions				
Revenue				
Investment return, net	\$ (86,367,925)	\$ (19,495,184)	\$ -	\$ (105,863,109)
Contributions	6,933,146	2,425	-	6,935,571
Golf and restaurant operations	-	7,394,382	-	7,394,382
Museum and park operations	-	1,110,388	-	1,110,388
Other income	15	45,043	-	45,058
Net assets released from restrictions	<u>\$1,151,766</u>	<u>-</u>	<u>-</u>	<u>1,151,766</u>
Total revenue	(78,282,998)	(10,942,946)	-	(89,225,944)
Expenses				
Employees' salaries and benefits	7,276,137	8,872,587	-	16,148,724
Depreciation	48,611	5,089,012	-	5,137,623
Outside services - golf and food & beverage operations	-	4,722,918	-	4,722,918
Professional fees	3,242,036	163,467	-	3,405,503
Programs and exhibits	1,527,692	675,445	-	2,203,137
Food and retail merchandise	-	1,442,015	-	1,442,015
Rent and utilities	660,619	667,898	-	1,328,517
Supplies	144,630	1,038,284	-	1,182,914
Real estate taxes and insurance	121,406	976,272	-	1,097,678
Other expenses	133,434	903,642	-	1,037,076
Maintenance and repairs	245,094	584,364	-	829,458
Business meetings and travel	453,766	209,553	-	663,319
Fundraising and program expenses	530,190	-	-	530,190
Outside services - other	166,859	345,048	-	511,907
Directors' fees	172,000	103,000	-	275,000
Unrelated business income tax	45,913	-	-	45,913
Total expenses	<u>14,768,387</u>	<u>25,793,505</u>	<u>-</u>	<u>40,561,892</u>
Deficit of revenue over expenses	(93,051,385)	(36,736,451)	-	(129,787,836)
Grants approved	(46,942,508)	-	385,962	(46,556,546)
Contributions from the Robert R. McCormick Foundation	<u>-</u>	<u>385,962</u>	<u>(385,962)</u>	<u>-</u>
Decrease in net assets without donor restrictions	(139,993,893)	(36,350,489)	-	(176,344,382)
Change in net assets with donor restrictions				
Contributions	\$825,652	-	-	825,652
Net assets released from restrictions	(1,151,766)	-	-	(1,151,766)
Unrealized loss on endowment	<u>(195,102)</u>	<u>-</u>	<u>-</u>	<u>(195,102)</u>
Decrease in net assets with donor restrictions	<u>(521,216)</u>	<u>-</u>	<u>-</u>	<u>(521,216)</u>
<b>CHANGE IN NET ASSETS</b>	(140,515,109)	(36,350,489)	-	(176,865,598)
Net assets, beginning of year	<u>1,360,729,922</u>	<u>365,306,651</u>	<u>-</u>	<u>1,726,036,573</u>
Net assets, end of year	<u>\$ 1,220,214,813</u>	<u>\$ 328,956,162</u>	<u>\$ -</u>	<u>\$ 1,549,170,975</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 net assets without donor restrictions				
Revenue				
Investment return, net	\$ 219,488,989	\$ 50,704,040	\$ -	\$ 270,193,029
Contributions	10,757,202	12,449	-	10,769,651
Golf and restaurant operations	-	7,425,735	-	7,425,735
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	231,982,526	59,065,711	-	291,048,237
Expenses				
Employees' salaries and benefits	7,404,511	8,320,542	-	15,725,053
Depreciation	70,282	3,791,071	-	3,861,353
Outside services - golf and food & beverage operations	-	4,660,852	-	4,660,852
Professional fees	1,542,429	212,241	-	1,754,670
Programs and exhibits	1,233,382	568,267	-	1,801,649
Food and retail merchandise	-	1,439,043	-	1,439,043
Rent and utilities	656,474	417,648	-	1,074,122
Supplies	141,842	1,023,922	-	1,165,764
Real estate taxes and insurance	137,624	784,050	-	921,674
Other expenses	103,783	656,640	-	760,423
Maintenance and repairs	231,805	578,742	-	810,547
Business meetings and travel	421,125	161,337	-	582,462
Fundraising and program expenses	448,691	-	-	448,691
Outside services - other	132,733	539,084	-	671,817
Directors' fees	172,000	103,000	-	275,000
Unrelated business income tax	2,265,992	-	-	2,265,992
Total expenses	14,962,673	23,256,439	-	38,219,112
Deficit of revenue over expenses	217,019,853	35,809,272	-	252,829,125
Grants approved	(88,983,939)	-	29,349,269	(59,634,670)
Contributions from the Robert R. McCormick Foundation	-	29,349,269	(29,349,269)	-
Increase in net assets without donor restrictions	128,035,914	65,158,541	-	193,194,455
Change in net assets with donor restrictions				
Contributions	1,464,086	-	-	1,464,086
Net assets released from restrictions	(1,736,335)	-	-	(1,736,335)
Unrealized loss on endowment	407,658	-	-	407,658
Increase in net assets with donor restrictions	135,409	-	-	135,409
<b>CHANGE IN NET ASSETS</b>	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	\$ 1,360,729,922	\$ 365,306,651	\$ -	\$ 1,726,036,573