ROBERT R. MCCORMICK FOUNDATIONS

Consolidated Financial Statements and Schedules

December 31, 2008 and 2007

(With Independent Auditors’ Report Thereon)

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Boards of Directors
Robert R. McCormick Foundation
Cantigny Foundation
Cantigny First Division Foundation
McCormick Freedom Museum:

We have audited the accompanying consolidated statements of financial positions of Robert R. McCormick Foundations: Robert R. McCormick Foundation, Cantigny Foundation, Cantigny First Division Foundation, and McCormick Freedom Museum (the Foundations) as of December 31, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundations' management. 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundations as of December 31, 2008 and 2007, and the consolidated change in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 4 to the consolidated financial statements, the Foundations adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*, during 2008.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. The consolidating information in Schedules II through VII is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual foundations. The consolidating information and other supplementary information referred to in this report have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

September 11, 2009

ROBERT R. MCCORMICK FOUNDATIONS

Consolidated Statements of Financial Position

December 31, 2008 and 2007

Assets		**2008**	**2007**
Cash and cash equivalents	$	463,756,973	763,780,238
Investment securities (notes 3 and 4)		635,495,772	591,937,716
Accounts receivable		2,686,398	5,399,481
Program-related investments, at contract value		513,436	519,830
Other assets		813,326	556,237
Land, buildings, equipment, and improvements:			
Land (note 6)		1,217,744	1,217,744
Buildings and improvements		46,860,840	43,277,414
Machinery, equipment, furniture, and fixtures		14,212,272	10,096,844
Land improvements		12,663,067	12,468,957
Other		3,490,234	3,663,565
Construction in process		702,476	1,748,832
		79,146,633	72,473,356
Less accumulated depreciation		(41,268,586)	(32,571,220)
		37,878,047	39,902,136
Total assets	$	1,141,143,952	1,402,095,638
Liabilities and Net Assets			
Liabilities:			
Grants payable (note 5)	$	29,711,050	31,561,132
Accounts payable and accrued expenses		3,225,185	4,486,768
Total liabilities		32,936,235	36,047,900
Net assets:			
Unrestricted (note 7)		1,105,404,629	1,363,240,905
Permanently restricted (note 6)		2,803,088	2,806,833
Total net assets		1,108,207,717	1,366,047,738
Total liabilities and net assets	$	1,141,143,952	1,402,095,638

See accompanying notes to consolidated financial statements.

ROBERT R. MCCORMICK FOUNDATIONS

Consolidated Statements of Activities

Years ended December 31, 2008 and 2007

	2008	2007
Change in unrestricted net assets:		
Revenue:		
Dividends and interest on invested balances:		
Tribune Company dividends	$ —	5,630,902
Other dividends and interest	30,689,858	29,334,017
Interest on bank accounts	38,169	348,803
Contributions (note 7)	22,057,859	15,675,596
Net (loss) gain on sales of investments	(8,860,660)	1,071,676,770
Golf and restaurant operations	5,993,059	5,679,908
Museum and park operations	520,006	490,883
Other income	310,320	278,471
Total revenue	50,748,611	1,129,115,350
Expenses:		
Employees' salaries and benefits (note 8)	16,152,534	14,347,215
Fund-raising program expenses	1,052,555	887,906
McCormick conference series (note 9)	1,416,436	886,067
Food and retail merchandise	1,218,312	1,062,921
Supplies	1,412,048	1,283,031
Maintenance and repairs	668,306	531,576
Real estate taxes and insurance	688,682	590,078
Professional fees	1,598,364	8,438,677
Rent and utilities	2,936,300	2,872,561
Outside services	955,356	1,496,364
Business meetings and travel	928,767	589,496
Depreciation expense	10,208,945	4,435,856
Programs and exhibits	816,211	902,380
Directors' fees	275,000	275,000
Other expenses	852,650	50,639
Total expenses	41,180,466	38,649,767
Revenue in excess of expenses	9,568,145	1,090,465,583
Grants approved	(57,808,427)	(52,389,951)
(Deficiency) excess of revenue (under) over expenses before change in unrealized net loss on investments	(48,240,282)	1,038,075,632
Decrease in unrealized gains on investments	—	(976,976,231)
Increase in unrealized losses on investments	(209,595,994)	—
(Decrease) increase in unrestricted net assets	(257,836,276)	61,099,401
Change in permanently restricted assets:		
Permanently restricted (reduction) contribution (note 6)	(3,745)	803,057
(Decrease) increase in permanently restricted assets	(3,745)	803,057
Change in net assets	(257,840,021)	61,902,458
Net assets, beginning of year	1,366,047,738	1,304,145,280
Net assets, end of year	$ 1,108,207,717	1,366,047,738

See accompanying notes to consolidated financial statements.

ROBERT R. MCCORMICK FOUNDATIONS

Consolidated Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (257,840,021)	61,902,458
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Net loss (gain) on sales of investments	8,860,660	(1,071,676,770)
Change in unrealized net gains and losses on investments	209,595,994	976,976,231
Depreciation expense	10,208,945	4,435,856
Permanently restricted reduction (contribution)	3,745	(803,057)
Net amortization of bond premium	(536,019)	(1,063,869)
Donation of fixed assets	—	(839,000)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable and other current assets	2,455,994	(3,045,462)
Increase (decrease) in grants payable	(1,850,082)	1,793,794
(Decrease) increase in accounts payable and accrued expenses	(1,261,583)	1,003,037
Net cash used in operating activities	(30,362,367)	(31,316,782)
Cash flows from investing activities:		
Proceeds from disposition of investment securities	68,201,055	1,571,349,826
Purchases of investment securities	(329,679,745)	(784,157,720)
Repayment of program-related investments	6,394	18,618
Purchases of equipment and improvements	(8,184,857)	(5,490,595)
Net cash (used in) provided by investing activities	(269,657,153)	781,720,129
Cash flows from financing activities:		
Permanently restricted (reduction) contribution	(3,745)	803,057
Net (decrease) increase in cash and cash equivalents	(300,023,265)	751,206,404
Cash and cash equivalents, beginning of year	763,780,238	12,573,834
Cash and cash equivalents, end of year	$ 463,756,973	763,780,238

See accompanying notes to consolidated financial statements.

(1) Organization

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

Robert R. McCormick Foundation (McCormick) was established under provisions in the last will and testament of Colonel Robert R. McCormick and is organized under the General Not-for-Profit Corporation Act of Illinois. McCormick's primary mission is to advance the ideals of a free democratic society by investing in our children, communities, and country. McCormick's operations are supported primarily by investment income and contributions from the general public in support of its fund raising programs (see note 7). Grants made by McCormick to further its stated mission have been, to date, limited to organizations operating within the Western Hemisphere.

Cantigny Foundation (Cantigny) was established by Article Eight of the last will and testament of Colonel Robert R. McCormick and is 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 (note 6) near 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.

Cantigny First Division Foundation (First Division) is an Illinois corporation organized under the General Not-for-Profit Corporation Act of Illinois. First Division has operational responsibility for the First Division Museum at Cantigny, located on the estate of the late Colonel Robert R. McCormick. The museum facilities are owned by Cantigny and are used primarily for the exhibition of memorabilia of the First Infantry Division of the United States Army. In addition, First Division maintains affiliations with the Society of the First Division and the United States Army for the mutual benefit of all three organizations. First Division's operations are supported primarily by grants from McCormick.

McCormick Freedom Museum (Freedom Museum) is an Illinois corporation organized under the General Not-for-Profit Corporation Act of Illinois. Freedom Museum commenced operations in 2006 of a museum at the base of the Tribune Tower on Michigan Avenue in Chicago, Illinois. The Museum honors American freedoms. The Freedom Museum's operations are supported by fees from the general public for use of its facilities and grants from McCormick (note 12).

Five members of the board of directors serve on the boards of each of the four Foundations.

(2) Summary of Significant Accounting Policies

The financial statements of the Foundations have been prepared on the accrual basis of accounting. The more significant accounting policies used by the Foundations are as follows:

(a) Basis of Presentation

The consolidated financial statements of the Robert R. McCormick Foundations include Robert R. McCormick Foundation, Cantigny Foundation, Cantigny First Division Foundation, and McCormick Freedom Museum. Significant inter-company balances and transactions among these four foundations were eliminated upon consolidation.

The Foundations' financial statements have been prepared to focus on the organization 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. The Foundations have no temporarily restricted net assets at December 31, 2008 and 2007.

(b) New Accounting Standards

Effective January 1, 2008, the Foundations adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. This pronouncement did not require any new fair value measurements and its adoption did not affect the results of operations or financial position of the Foundations. In October 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active.* FSP FAS No. 157-3 was effective upon issuance, and applies to periods for which financial statements have not been issued. The FSP's guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions. The Foundations adopted FSP No. FAS 157-3, however, adoption did not have a material effect on the results of operations or financial position of the Foundations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), representing Phase 1 of the overall fair value option project. The objective of Phase 1 is to create an alternative measurement treatment for certain financial assets and financial liabilities that permits fair value to be used with changes in fair value recognized in earnings as those changes occur. Phase 2 will address creating a fair value option for nonfinancial items. SFAS No. 159 was effective January 1, 2008. The Foundations have not elected any of the fair value options under SFAS No. 159.

Effective December 31, 2008, the Foundations adopted the provisions of FASB Staff Position SFAS No. 117.1, *Endowments of Not-For-Profit Organizations, Net Assets Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds* (FSP SFAS 117.1). FSP SFAS 117.1 provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. As of December 31, 2008, UPMIFA legislation has not yet been enacted by the State of Illinois. However, FSP SFAS 117.1 enhances the disclosures related to both donor-restricted and board designated endowment funds, whether or not the organization is subject to UPMIFA (note 6).

(c) Revenue

Revenue is reported as an increase in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets.

Interest and dividend income and realized gains and losses on sales of investments are reported as investment income or loss, while unrealized gains and losses are reported separately in the accompanying consolidated statements of activities as changes in unrestricted net assets.

Private gifts are recognized in the period received.

Revenue from golf and park operations is recognized as earned when the goods and services are provided to customers.

(d) Land, Buildings, Equipment, and Improvements

Additions to land, buildings, equipment, and improvements are capitalized and depreciated using the straight-line method over estimated useful lives, which range from three to forty years.

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. There were no impairments to land, buildings, and equipment in fiscal years 2008 or 2007.

(e) Grants

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

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP, 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.

(g) Publicly Supported Charity Status

The Internal Revenue Service (IRS) has determined that the Foundations have all met the conditions described in Section 509(a)(1) or 509(a)(2) (publicly supported charity) of the Internal Revenue Code (the Code). The Foundations are deemed tax-exempt charities under Section 501(c)(3) of the Code, and, except for unrelated business income, are not subject to federal excise taxes or minimum distribution requirements (note 11).

(h) 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.

Cash and cash equivalents include $40,000,000 and $55,000,000 in 2008 and 2007, respectively, of funds transferred to investment managers prior to year end for the purchase of alternative investments. As of December 31, these investments had not yet taken place and the funds remained in cash.

(i) Program-Related Investments

McCormick makes investments that are related to its philanthropic programs. These investments are anticipated to have a less than fair market value return and are recorded net of appropriate reserves for collectibility.

(j) Collections

The Foundations' permanent collections, which were acquired through purchases and contributions from benefactors since the Foundations' inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired.

The Foundations' collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their conditions 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.

(k) Reclassifications

Certain 2007 amounts have been reclassified in order to provide the financial information on a basis consistent with 2008 presentation.

(3) Investment Securities

The following is a summary of cost and fair values of the investment securities as of December 31, 2008 and 2007:

	2008		2007	
	Fair value	**Cost**	**Fair value**	**Cost**
Domestic equities	$ 34,111,515	45,573,275	49,757,576	51,280,691
Domestic equity funds	122,223,792	206,425,053	195,290,836	205,261,109
International equity funds	90,041,144	170,919,946	140,488,686	151,859,634
Fixed income	58,331,889	57,527,725	102,642,930	100,321,705
Fixed income funds	173,364,062	180,261,187	103,757,688	101,745,653
Hedge funds	122,785,967	150,000,000	—	—
Private equity	34,637,403	52,915,664	—	—
	$ 635,495,772	863,622,850	591,937,716	610,468,792

In 2007, the Tribune Company completed a merger agreement that converted the publicly owned corporation to a privately held entity. Per the terms of the merger agreement, all of the remaining shares of Tribune Company owned by the Foundations were tendered prior to December 31, 2007. As a result of the sale, the unrealized gain recognized in prior years of approximately $955 million is included in the net gain on sales of investments in the 2007 statement of activities.

Domestic equities include permanently restricted assets of $1,596,509 and $1,967,833 as of December 31, 2008 and 2007, respectively (note 6).

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 amounts reported in the consolidated statement of financial position.

(4) 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. SFAS No. 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes U.S. Government and agency mortgage-backed debt securities and corporate-debt securities.

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 whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

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.

Fair values for the Foundations' fixed income securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise.

Fair values of equity securities have been determined based on prices provided by its investment managers and its custodian bank. Valuations provided by external investment managers are reviewed by the Foundations' independent investment advisor and management.

Fair value of hedge funds and private equity is based on valuations provided by external investment managers or on audited financial statements when available. Valuations provided by external investment managers include estimates, appraisals, assumptions and methods that are reviewed by the Foundations' independent investment advisor and management.

The following table presents the Foundations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2008. At December 31, 2008, Level 3 assets comprised approximately 25% of the Foundations' total investment portfolio fair value.

	Fair value	Fair value measurements at December 31 using		
		Level 1	**Level 2**	**Level 3**
Investments:				
Domestic equities	$ 34,111,515	34,111,515	—	—
Domestic equity funds	122,223,792	—	122,223,792	—
International equity funds	90,041,144	—	90,041,144	—
Fixed income	58,331,889	58,331,889	—	—
Fixed income funds	173,364,062	137,567,445	35,796,617	—
Hedge funds	122,785,967	—	—	122,785,967
Private equity	34,637,403	—	—	34,637,403
Total	$ 635,495,772	230,010,849	248,061,553	157,423,370

Included in the cash and cash equivalents account balance, the Foundation has approximately $423,000,000 in money market securities that are considered Level 2 fair value measurements as of December 31, 2008.

The following table presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the period January 1, 2008 to December 31, 2008.

	Level 3 assets		
	Hedge funds	**Private equity**	**Total**
Beginning balance January 1, 2008	$ —	—	—
Total net gains (losses) unrealized	(27,214,033)	(18,278,261)	(45,492,294)
Purchases, sales, issuances and settlements, net	150,000,000	52,915,664	202,915,664
Ending balance December 31, 2008	$ 122,785,967	34,637,403	157,423,370

For the period January 1, 2008 to December 31, 2008, there were no realized gains or losses included in earnings that were attributable to Level 3 assets still held at December 31, 2008.

(5) Commitments

(a) Grant Commitments

The Board of Directors of McCormick has approved various unconditional grants, which are payable in annual installments. The commitments outstanding at December 31, 2008 are scheduled for payment as follows:

		Amount
Year ending December 31:		
2009	$	15,873,675
2010		5,309,375
2011		2,638,000
2012		2,292,000
2013		2,121,000
2014		1,251,000
2015		226,000
	$	29,711,050

(b) Lease Commitments

Freedom Museum signed a ten-year operating lease with the Tribune Company for space in the Tribune Tower. The lease includes a termination option on February 28, 2009. The Freedom Museum has subsequently exercised the option to terminate the lease (see note 12). The Foundations' incurred total rent expense of $1,797,116 and $1,771,298 in fiscal years 2008 and 2007, respectively, related to this lease.

(6) Permanently Restricted Assets

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

In 2006, McCormick received a permanently restricted endowment from the Frances Bioff Trust in the amount of $2,003,776. This 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 as that purpose is consistent with one of the overall missions of the Foundations, is included in unrestricted net assets in the consolidated financial statements. In 2008 and 2007, the Frances Bioff Trust presented the Foundation with additional professional service fees and back taxes pertaining to the final settlement of the estate that reduced the permanently restricted endowment by $3,745 and $35,943, respectively.

(7) Fund Raising Programs

During 2008 and 2007, various fund-raising 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 2008 and 2007 the programs primarily focused on three areas of charitable activities: local communities, disaster relief, and aid to military veterans. 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 based upon the attainment of predetermined goals within a specified period of time.

Although there are general purpose limitations on the disposition of contributions received, McCormick retains complete discretion in determining specific third-party beneficiaries. Undistributed contributions received, including matching amounts transferred to the programs totaling approximately $22,489,000 and $23,487,000, are included as a component of unrestricted net assets in the consolidated statements of financial position at December 31, 2008 and 2007, respectively.

(8) 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 $224,000 and $198,000 for 2008 and 2007, respectively.

The Foundations have established a defined contribution pension plan. Employer contributions calculated and funded quarterly are equal to 8% of each participant’s quarterly compensation plus an additional 4% of such compensation in excess of $17,900 and $17,100 for 2008 and 2007, respectively. All eligible employees at the date of plan inception became 100% vested. All future participants become vested in equal percentages over a three-year period. Permanent forfeitures, as defined, are used to reduce future employer contributions.

All eligible employees are also offered retirement benefits under a 403(b)(7) matching plan. Employer contributions calculated and funded quarterly are based on a specified percentage of amounts invested by employees. Employer contributions under the matching plan will not exceed 6% of any employee’s annual salary in any plan year. All participants become vested in equal percentages over a three-year period.

Beginning in 2003, eligible highly compensated employees were offered quarterly retirement benefits under a 457(b) deferred compensation plan. Quarterly employer contributions to the plan match on a dollar-for-dollar basis employee investments up to 35% of the applicable 403(b) limit ($5,425 in 2008). 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 totaled approximately $1,465,000 and $1,304,000 in 2008 and 2007, respectively.

In 2000, Cantigny established an Executive Mutual Fund Option Plan (Option Plan) for certain employees of the Foundations. Under the terms of the Option Plan, the employees forgo salary in return for options on various third-party mutual funds. Cantigny is the writer of these options, which are exercisable at any time between January 1, 2001 and January 9, 2012. Cantigny has hedged the economic risk associated with the written options by purchasing shares of the various mutual funds underlying the outstanding options. As of December 31, 2008 and 2007, the fair value of the option liability was approximately $142,000 and $174,000, respectively, and is included in accounts payable and accrued expenses in the consolidated statements of financial position.

(9) McCormick Conference Series

The McCormick Conference Series (Series) provides a forum for the meaningful exchange of ideas to further the charitable purposes of the four Foundations. Series expenses include, but are not limited to, certain outside services and reimbursement to participants for travel, lodging, and meals.

(10) Foundation Name Change

On May 15, 2008, the Board of Directors of the Robert R. McCormick Tribune Foundation voted to change the organization's name to the Robert R. McCormick Foundation. The name change clarifies that the Foundation no longer holds an ownership position in the Tribune Company. This action by the Board of Directors also changed the name of the Robert R. McCormick Tribune Freedom Museum to the Robert R. McCormick Freedom Museum.

(11) Unrelated Business Income Tax

During 2008, the Cantigny Foundation initiated unrelated business operations. These operations had net operating losses of $101,361. The McCormick Foundation received one Schedule K-1 with unrelated business taxable income, a loss of $13,854. The Foundation will file IRS Form 990-T as required for these operations. The Foundation has not recorded an expense or liability for income taxes on this unrelated business activity as no taxes are anticipated to be due.

(12) McCormick Freedom Museum

On December 16, 2008 the Board of Directors voted to cease operations of the McCormick Freedom Museum at the base of the Tribune Tower. The Museum exercised the early termination option contained in the original lease for the Museum space in February, 2009.

Based on the available information, management accelerated the remaining unamortized depreciation on all Freedom Museum capital assets in 2008 to reflect only one remaining year of service and recorded additional depreciation expense in fiscal year 2008 of $5,014,245.

Going forward, the museum will continue operations as an outreach program inspiring middle and high school students to understand, value, and protect their First Amendment rights.

Schedule I

ROBERT R. MCCORMICK FOUNDATIONS

Schedule of Grant Approvals

Year ended December 31, 2008

Program	**Number of grants**		**Total amount of grants approved (returned)**
Fund raising programs:			
Baltimore Sun Charities	5	$	50,000
Chicago Tribune Charities	3		21,500
Chicago Tribune Holiday Campaign	179		5,100,000
Courant Community Fund	5		62,000
Courant/Fox 61 Children's Holiday Campaign	7		56,000
Daily Press Holiday Fund	16		191,000
LA Times Family Fund	110		2,507,000
LA Times Family Fund/KTLA-CW Charities Fund Fire Relief Campaign	8		535,920
Morning Call Community Fund	27		137,000
Newsday Charities	42		1,092,000
North County Times Charities Fund	48		283,000
North County Times/CW5 Fire Relief Campaign	1		70,924
Orlando Sentinel Family Fund	12		265,000
Orlando Sentinel Holiday Campaign	16		491,518
Post-News Charities	35		397,000
Post-News Season to Share	65		2,197,500
Sun-Sentinel Children's Fund	113		1,525,000
The Yes! Fund	13		189,000
ABC 26/CW38 Children First	6		154,569
CW5 Cares for Kids	24		205,000
CW2 Gives	43		935,233
CW11 Care for Kids Fund	7		260,000
CW33 Kids Fund	18		112,702
CW39 Cares for Kids	6		105,000
Fox 40 Helping Hand Fund	—		(71,200)
Fox 43 Charities	1		947
Fox 59/CW4 Community Fund	9		71,442
Fox 61 Family Fund	13		105,000
KTLA-TV Charities Fund	52		396,500
myphl17 Cares	9		73,305
Q13 Fox Family Fund	4		126,161
WGN Radio 720 Neediest Kids Fund	46		640,000
WGN-TV Children's Charities	10		142,188
Cavaliers Youth Fund	11		715,000
Colorado Rockies Charity Fund	43		753,000
Cubs Care	49		993,000
Ducks Charities Fund	35		930,139
Orlando Magic Youth Fund	27		751,000
Fire Intervention Relief Effort Campaign	29		6,003,422
Neighbors in Need	18		788,363
Operation Healing Freedom	14		1,400,000
Welcome Back Veterans	12		2,910,000
General Fund	167		24,136,295
Total	1,358	$	57,808,428

See accompanying independent auditors' report

ROBERT R. MCCORMICK FOUNDATIONS

Consolidating Statement of Financial Position Information

December 31, 2008

Assets	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Museum	Eliminations	Consolidated total
Cash and cash equivalents	$ 386,490,023	77,266,068	82	800	—	463,756,973
Investments	577,920,550	56,089,962	1,485,260	—	—	635,495,772
Accounts receivable	2,266,827	418,153	511	907	—	2,686,398
Program-related investments, at contract value	513,436	—	—	—	—	513,436
Other assets	32,451	651,022	29,116	100,737	—	813,326
Land, buildings, equipment, and improvements:						
Land	—	1,217,744	—	—	—	1,217,744
Buildings and improvements	2,171,287	37,066,565	250,871	7,372,117	—	46,860,840
Machinery, equipment, furniture and fixtures	361,402	8,023,818	—	5,827,052	—	14,212,272
Land improvements	—	12,663,067	—	—	—	12,663,067
Other	—	3,478,551	11,683	—	—	3,490,234
Construction in process	—	702,476	—	—	—	702,476
	2,532,689	63,152,221	262,554	13,199,169	—	79,146,633
Less accumulated depreciation	(2,272,269)	(29,000,774)	(123,113)	(9,872,430)	—	(41,268,586)
	260,420	34,151,447	139,441	3,326,739	—	37,878,047
Due from affiliated organizations	—	5,205,017	—	—	(5,205,017)	—
Total assets	$ 967,483,707	173,781,669	1,654,410	3,429,183	(5,205,017)	1,141,143,952
Liabilities and Net Assets						
Liabilities:						
Grants payable	$ 29,711,050	—	—	—	—	29,711,050
Accounts payable and accrued expenses	417,271	2,087,890	153,752	566,272	—	3,225,185
Due to affiliated organizations	3,677,919	—	710,289	816,809	(5,205,017)	—
Total liabilities	33,806,240	2,087,890	864,041	1,383,081	(5,205,017)	32,936,235
Net assets:						
Unrestricted	931,713,379	170,854,779	790,369	2,046,102	—	1,105,404,629
Permanently restricted	1,964,088	839,000	—	—	—	2,803,088
Total net assets	933,677,467	171,693,779	790,369	2,046,102	—	1,108,207,717
Total liabilities and net assets	$ 967,483,707	173,781,669	1,654,410	3,429,183	(5,205,017)	1,141,143,952

See accompanying independent auditors' report

Schedule III

ROBERT R. MCCORMICK FOUNDATIONS

Consolidating Statement of Financial Position Information

December 31, 2007

Assets	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Museum	Eliminations	Consolidated total
Cash and cash equivalents	$ 685,154,260	78,436,275	189,703	—	—	763,780,238
Investments	518,070,698	71,727,089	2,139,929	—	—	591,937,716
Accounts receivable	4,586,154	812,395	25	907	—	5,399,481
Program-related investments, at contract value	519,830	—	—	—	—	519,830
Other assets	—	434,254	19,904	102,079	—	556,237
Land, buildings, equipment, and improvements:						
Land	—	1,217,744	—	—	—	1,217,744
Buildings and improvements	2,016,715	33,846,870	41,711	7,372,118	—	43,277,414
Machinery, equipment, furniture and fixtures	333,303	4,265,373	—	5,498,168	—	10,096,844
Land improvements	—	12,468,957	—	—	—	12,468,957
Other	—	3,651,882	11,683	—	—	3,663,565
Construction in process	—	1,606,853	141,596	383	—	1,748,832
	2,350,018	57,057,679	194,990	12,870,669	—	72,473,356
Less accumulated depreciation	(1,370,098)	(27,484,362)	(52,384)	(3,664,376)	—	(32,571,220)
	979,920	29,573,317	142,606	9,206,293	—	39,902,136
Due from affiliated organizations	—	5,519,745	—	—	(5,519,745)	—
Total assets	$ 1,209,310,862	186,503,075	2,492,167	9,309,279	(5,519,745)	1,402,095,638
Liabilities and Net Assets						
Liabilities:						
Grants payable	$ 31,561,132	—	—	—	—	31,561,132
Accounts payable and accrued expenses	1,175,751	2,845,761	139,289	325,967	—	4,486,768
Due to affiliated organizations	4,149,294	—	805,279	565,172	(5,519,745)	—
Total liabilities	36,886,177	2,845,761	944,568	891,139	(5,519,745)	36,047,900
Net assets:						
Unrestricted	1,170,456,852	182,818,314	1,547,599	8,418,140	—	1,363,240,905
Permanently restricted	1,967,833	839,000	—	—	—	2,806,833
Total net assets	1,172,424,685	183,657,314	1,547,599	8,418,140	—	1,366,047,738
Total liabilities and net assets	$ 1,209,310,862	186,503,075	2,492,167	9,309,279	(5,519,745)	1,402,095,638

See accompanying independent auditors' report

ROBERT R. MCCORMICK FOUNDATIONS

Consolidating Statement of Activities Information

Year ended December 31, 2008

	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Museum	Eliminations	Consolidated total
Change in unrestricted net assets:						
Revenue:						
Dividends and interest on invested balances:						
Other dividends and interest	$ 26,895,650	3,750,782	43,426	—	—	30,689,858
Interest on bank accounts	38,169	—	—	—	—	38,169
Contributions	22,055,970	—	—	1,889	—	22,057,859
Net loss on sales of investments	(7,820,441)	(1,040,219)	—	—	—	(8,860,660)
Golf and restaurant operations	—	5,993,059	—	—	—	5,993,059
Museum and park operations	—	347,701	46,465	125,840	—	520,006
Other income	206,874	88,946	13,790	710	—	310,320
Total revenue	41,376,222	9,140,269	103,681	128,439	—	50,748,611
Expenses:						
Employees' salaries and benefits	5,091,755	7,748,348	1,775,675	1,536,756	—	16,152,534
Fund-raising program expenses	1,052,555	—	—	—	—	1,052,555
McCormick conference series	—	1,416,436	—	—	—	1,416,436
Food and retail merchandise	—	1,176,754	9,047	32,511	—	1,218,312
Supplies	190,602	1,073,278	101,616	46,552	—	1,412,048
Maintenance and repairs	105,037	422,304	78,561	62,404	—	668,306
Real estate taxes and insurance	40,454	619,782	16,095	12,351	—	688,682
Professional fees	1,243,851	210,330	71,470	72,713	—	1,598,364
Rent and utilities	422,276	516,407	99,170	1,898,447	—	2,936,300
Outside services	240,134	436,279	154,399	124,544	—	955,356
Business meetings and travel	517,088	149,266	142,818	119,595	—	928,767
Depreciation expense	902,170	3,027,992	70,729	6,208,054	—	10,208,945
Programs and exhibits	—	159,598	358,813	297,800	—	816,211
Directors' fees	168,663	53,998	29,008	23,331	—	275,000
Other expenses	72,485	393,653	60,795	325,717	—	852,650
Total expenses	10,047,070	17,404,425	2,968,196	10,760,775	—	41,180,466
Revenue in excess (deficiency) of expenses	31,329,152	(8,264,156)	(2,864,515)	(10,632,336)	—	9,568,145
Grants approved	(81,120,075)	—	—	—	23,311,648	(57,808,427)
Contributions from the Robert R. McCormick Foundation	—	16,056,350	2,995,000	4,260,298	(23,311,648)	—
(Deficiency) excess of revenue over expenses before change in unrealized net loss on investments	(49,790,923)	7,792,194	130,485	(6,372,038)	—	(48,240,282)
Increase in unrealized losses on investments	(188,952,550)	(19,755,729)	(887,715)	—	—	(209,595,994)
Decrease in unrestricted net assets	(238,743,473)	(11,963,535)	(757,230)	(6,372,038)	—	(257,836,276)
Change in permanently restricted assets:						
Permanently restricted reduction (note 5)	(3,745)	—	—	—	—	(3,745)
Decrease in permanently restricted assets	(3,745)	—	—	—	—	(3,745)
Change in net assets	(238,747,218)	(11,963,535)	(757,230)	(6,372,038)	—	(257,840,021)
Net assets, beginning of year	1,172,424,685	183,657,314	1,547,599	8,418,140	—	1,366,047,738
Net assets, end of year	$ 933,677,467	171,693,779	790,369	2,046,102	—	1,108,207,717

See accompanying independent auditors' report

Schedule V

ROBERT R. MCCORMICK FOUNDATIONS

Consolidating Statement of Activities Information

Year ended December 31, 2007

	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Museum	Eliminations	Consolidated total
Change in unrestricted net assets:						
Revenue:						
Dividends and interest on invested balances:						
Tribune Company dividends	$ 5,044,282	586,620	—	—	—	5,630,902
Other dividends and interest	24,979,722	4,312,091	42,204	—	—	29,334,017
Interest on bank accounts	291,487	57,316	—	—	—	348,803
Contributions	15,675,596	—	—	—	—	15,675,596
Net gain on sales of investments	963,073,581	108,603,189	—	—	—	1,071,676,770
Golf and restaurant operations	—	5,679,908	—	—	—	5,679,908
Museum and park operations	—	365,406	52,300	73,177	—	490,883
Other income	4,195	120,774	7,216	146,286	—	278,471
Total revenue	1,009,068,863	119,725,304	101,720	219,463	—	1,129,115,350
Expenses:						
Employees' salaries and benefits	4,334,615	6,922,326	1,665,567	1,424,707	—	14,347,215
Fund-raising program expenses	887,906	—	—	—	—	887,906
McCormick conference series	—	886,067	—	—	—	886,067
Food and retail merchandise	—	1,051,962	10,959	—	—	1,062,921
Supplies	162,020	965,515	105,152	50,344	—	1,283,031
Maintenance and repairs	67,021	358,647	65,423	40,485	—	531,576
Real estate taxes and insurance	55,414	507,084	16,021	11,559	—	590,078
Professional fees	7,535,125	564,014	140,193	199,345	—	8,438,677
Rent and utilities	385,470	517,607	109,247	1,860,237	—	2,872,561
Outside services	555,306	498,976	245,470	196,612	—	1,496,364
Business meetings and travel	321,440	84,428	106,579	77,049	—	589,496
Depreciation expense	216,287	2,363,194	2,087	1,854,288	—	4,435,856
Programs and exhibits	—	229,895	285,066	387,419	—	902,380
Directors' fees	152,057	59,978	37,611	25,354	—	275,000
Other expenses	10,000	37,917	1,163	1,559	—	50,639
Total expenses	14,682,661	15,047,610	2,790,538	6,128,958	—	38,649,767
Revenue in excess (deficiency) of expenses	994,386,202	104,677,694	(2,688,818)	(5,909,495)	—	1,090,465,583
Grants approved	(75,816,662)	—	—	—	23,426,711	(52,389,951)
Contributions from the Robert R. McCormick Foundation	—	16,514,254	2,573,304	4,339,153	(23,426,711)	—
Excess (deficiency) of revenue over expenses before change in unrealized net loss (gain) on investments	918,569,540	121,191,948	(115,514)	(1,570,342)	—	1,038,075,632
Decrease in unrealized gains on investments	(874,978,783)	(102,064,627)	67,179	—	—	(976,976,231)
Increase (decrease) in unrestricted net assets	43,590,757	19,127,321	(48,335)	(1,570,342)	—	61,099,401
Permanently restricted contribution (reduction)	(35,943)	839,000	—	—	—	803,057
Change in net assets	43,554,814	19,966,321	(48,335)	(1,570,342)	—	61,902,458
Net assets, beginning of year	1,128,869,871	163,690,993	1,595,934	9,988,482	—	1,304,145,280
Net assets, end of year	$ 1,172,424,685	183,657,314	1,547,599	8,418,140	—	1,366,047,738

See accompanying independent auditors' report

Schedule VI

ROBERT R. MCCORMICK FOUNDATIONS

Consolidating Statement of Cash Flows Information

Year ended December 31, 2008

	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Museum	Eliminations	Consolidated total
Cash flows from operating activities:						
Decrease in net assets	$ (238,747,218)	(11,963,535)	(757,230)	(6,372,038)	—	(257,840,021)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:						
Net loss on sales of investments	7,820,441	1,040,219	—	—	—	8,860,660
Change in unrealized net loss on investments	188,952,550	19,755,729	887,715	—	—	209,595,994
Depreciation expense	902,170	3,027,992	70,729	6,208,054	—	10,208,945
Permanently restricted reduction	3,745	—	—	—	—	3,745
Net amortization of bond premium	(474,076)	(61,943)	—	—	—	(536,019)
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable and other current assets	2,286,876	177,474	(9,698)	1,342	—	2,455,994
Decrease in grants payable	(1,850,082)	—	—	—	—	(1,850,082)
Decrease (increase) in due from affiliated organizations	—	314,728	—	—	(314,728)	—
(Decrease) increase in due to affiliated organizations	(471,375)	—	(94,990)	251,637	314,728	—
(Decrease) increase in accounts payable and accrued expenses	(758,480)	(757,871)	14,463	240,305	—	(1,261,583)
Net cash (used in) provided by operating activities	(42,335,449)	11,532,793	110,989	329,300	—	(30,362,367)
Cash flows from investing activities:						
Proceeds from disposition of investment securities	60,093,246	8,107,809	—	—	—	68,201,055
Purchases of investment securities	(316,242,012)	(13,204,687)	(233,046)	—	—	(329,679,745)
Repayment of program-related investments	6,394	—	—	—	—	6,394
Purchases of equipment and improvements	(182,671)	(7,606,122)	(67,564)	(328,500)	—	(8,184,857)
Net cash used in investing activities	(256,325,043)	(12,703,000)	(300,610)	(328,500)	—	(269,657,153)
Cash flows from financing activities:						
Permanently restricted reduction	(3,745)	—	—	—	—	(3,745)
Net (decrease) increase in cash and cash equivalents	(298,664,237)	(1,170,207)	(189,621)	800	—	(300,023,265)
Cash and cash equivalents, beginning of year	685,154,260	78,436,275	189,703	—	—	763,780,238
Cash and cash equivalents, end of year	$ 386,490,023	77,266,068	82	800	—	463,756,973

See accompanying independent auditors' report

Schedule VII

ROBERT R. MCCORMICK FOUNDATIONS

Consolidating Statement of Cash Flows Information

Year ended December 31, 2007

	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Museum	Eliminations	Consolidated total
Cash flows from operating activities:						
Increase (decrease) in net assets	$ 43,554,814	19,966,321	(48,335)	(1,570,342)	—	61,902,458
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:						
Net gain on sales of investments	(963,073,581)	(108,603,189)	—	—	—	(1,071,676,770)
Change in unrealized net gain on investments	874,978,783	102,064,627	(67,179)	—	—	976,976,231
Depreciation expense	216,287	2,363,194	2,087	1,854,288	—	4,435,856
Permanently restricted reduction (contribution)	35,943	(839,000)	—	—	—	(803,057)
Net amortization of bond premium	(968,089)	(95,780)	—	—	—	(1,063,869)
Donation of fixed assets	—	(839,000)	—	—	—	(839,000)
Changes in assets and liabilities:						
Increase in accounts receivable and other current assets	(2,526,629)	(492,852)	(6,122)	(19,859)	—	(3,045,462)
Increase in grants payable	1,793,794	—	—	—	—	1,793,794
Increase in due from affiliated organizations	—	(1,819,897)	—	—	1,819,897	—
Increase (decrease) in due to affiliated organizations	1,481,489	—	415,625	(77,217)	(1,819,897)	—
Increase in accounts payable and accrued expenses	375,321	585,240	214	42,262	—	1,003,037
Net cash provided by (used in) operating activities	(44,131,868)	12,289,664	296,290	229,132	—	(31,316,782)
Cash flows from investing activities:						
Proceeds from disposition of investment securities	1,311,278,757	260,036,060	35,009	—	—	1,571,349,826
Purchases of investment securities	(592,972,914)	(191,184,806)	—	—	—	(784,157,720)
Repayment of program-related investments	18,618	—	—	—	—	18,618
Purchases of equipment and improvements	(399,039)	(4,719,828)	(141,596)	(230,132)	—	(5,490,595)
Net cash provided by (used in) investing activities	717,925,422	64,131,426	(106,587)	(230,132)	—	781,720,129
Cash flows from financing activities:						
Permanently restricted (reduction) contribution	(35,943)	839,000	—	—	—	803,057
Net increase (decrease) in cash and cash equivalents	673,757,611	77,260,090	189,703	(1,000)	—	751,206,404
Cash and cash equivalents, beginning of year	11,396,649	1,176,185	—	1,000	—	12,573,834
Cash and cash equivalents, end of year	$ 685,154,260	78,436,275	189,703	—	—	763,780,238

See accompanying independent auditors' report