

**ROBERT R. MCCORMICK FOUNDATIONS**

Consolidated Financial Statements and Schedules

December 31, 2009 and 2008

## CONTENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	3
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	5
CONSOLIDATED STATEMENTS OF ACTIVITIES.....	6
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	8
SUPPLEMENTAL SCHEDULES.....	22



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Boards of Directors  
Robert R. McCormick Foundation  
Cantigny Foundation  
Cantigny First Division Foundation  
McCormick Freedom Project

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We have audited the accompanying consolidated statement of financial position of the Robert R. McCormick Foundations (the “Foundations”) as of December 31, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundations’ management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Foundations as of and for the year ended December 31, 2008, were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated September 11, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2009 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, 2009, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Our audit was made for the purpose of forming an opinion on the 2009 consolidated financial statements taken as a whole. The supplementary information included in the schedule of grant approvals is presented for purposes of additional analysis and is not a required part of the basic 2009 consolidated financial statements. The consolidating information on pages 22 through 28 is presented for purposes of additional analysis of the 2009 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 audit of the 2009 consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the 2009 consolidated financial statements taken as a whole. The financial statements as of and for the year ended December 31, 2008, were audited by other auditors whose report, dated September 11, 2009, states that the supplementary information as of and for the year ended December 31, 2008, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

*Grant Thornton LLP*

Chicago, Illinois  
June 14, 2010

**ROBERT R. MCCORMICK FOUNDATIONS**

Consolidated Statements of Financial Position

December 31, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 290,294,919	\$ 463,756,973
Investment securities (notes 3 and 4)	959,222,180	635,495,772
Accounts receivable	4,086,540	2,686,398
Other assets	901,766	1,326,762
Land, buildings, equipment, and improvements:		
Land (note 6)	1,217,744	1,217,744
Buildings and improvements	39,165,382	46,860,840
Machinery, equipment, furniture and fixtures	13,644,910	14,212,272
Land improvements	13,140,194	12,663,067
Other infrastructure	3,490,234	3,490,234
Construction in process	945,474	702,476
	71,603,938	79,146,633
Less accumulated depreciation	(36,471,836)	(41,268,586)
	35,132,102	37,878,047
Total assets	\$ 1,289,637,507	\$ 1,141,143,952
<b>Liabilities and Net Assets</b>		
Liabilities:		
Grants payable (note 5)	\$ 24,651,175	\$ 29,711,050
Accounts payable and accrued expenses	3,214,457	3,225,185
Total liabilities	27,865,632	32,936,235
Net assets:		
Unrestricted (note 7)	1,258,968,914	1,105,404,629
Permanently restricted (note 6)	2,802,961	2,803,088
Total net assets	1,261,771,875	1,108,207,717
Total liabilities and net assets	\$ 1,289,637,507	\$ 1,141,143,952

See accompanying notes to consolidated financial statements.

**ROBERT R. MCCORMICK FOUNDATIONS**

Consolidated Statements of Activities

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Change in unrestricted net assets:		
Revenue:		
Dividends and interest on invested balances	\$ 21,558,400	\$ 30,689,858
Interest on bank accounts	—	38,169
Contributions (note 7)	14,009,149	22,057,859
Net loss on sales of investments	(37,983,390)	(8,860,660)
Golf and restaurant operations	5,932,165	5,993,059
Museum and park operations	432,993	520,006
Other income	179,375	310,320
Total revenue	<u>4,128,692</u>	<u>50,748,611</u>
Expenses:		
Employees' salaries and benefits (note 8)	16,869,021	16,152,534
Fund-raising program expenses	1,067,377	1,052,555
McCormick conference series (note 9)	918,157	1,416,436
Food and retail merchandise	1,125,371	1,218,312
Supplies	1,298,980	1,412,048
Maintenance and repairs	626,717	668,306
Real estate taxes and insurance	740,232	688,682
Professional fees	1,948,853	1,598,364
Rent and utilities	1,986,462	2,936,300
Outside services	981,134	955,356
Business meetings and travel	580,764	928,767
Depreciation expense	6,116,404	10,208,945
Programs and exhibits	654,969	816,211
Directors' fees	248,135	275,000
Other expenses	647,161	852,650
Total expenses	<u>35,809,737</u>	<u>41,180,466</u>
(Deficiency) excess of revenue over expenses	(31,681,045)	9,568,145
Grants approved	<u>(42,505,557)</u>	<u>(57,808,427)</u>
Deficiency of revenue over expenses before unrealized net gain (loss) on investments	(74,186,602)	(48,240,282)
Decrease (increase) in unrealized net loss on investments	<u>227,750,887</u>	<u>(209,595,994)</u>
Increase (decrease) in unrestricted net assets	153,564,285	(257,836,276)
Change in permanently restricted assets:		
Permanently restricted reduction (note 6)	<u>(127)</u>	<u>(3,745)</u>
Decrease in permanently restricted assets	(127)	(3,745)
Change in net assets	153,564,158	(257,840,021)
Net assets, beginning of year	<u>1,108,207,717</u>	<u>1,366,047,738</u>
Net assets, end of year	<u>\$ 1,261,771,875</u>	<u>\$ 1,108,207,717</u>

See accompanying notes to consolidated financial statements.

**ROBERT R. MCCORMICK FOUNDATIONS**

Consolidated Statements of Cash Flows

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 153,564,158	\$ (257,840,021)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net loss on sales of investments	37,983,390	8,860,660
(Decrease) increase in unrealized net loss on investments	(227,750,887)	209,595,994
Depreciation expense	6,116,404	10,208,945
Permanently restricted reduction	127	3,745
Net amortization of bond premium	(297,276)	(536,019)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and other assets	(975,146)	2,462,388
Decrease in grants payable	(5,059,875)	(1,850,082)
Decrease in accounts payable and accrued expenses	(10,728)	(1,261,583)
Net cash used in operating activities	<u>(36,429,833)</u>	<u>(30,355,973)</u>
Cash flows from investing activities:		
Proceeds from disposition of investment securities	55,545,518	68,201,055
Purchases of investment securities	(189,207,153)	(329,679,745)
Purchases of equipment and improvements	(3,370,459)	(8,184,857)
Net cash used in investing activities	<u>(137,032,094)</u>	<u>(269,663,547)</u>
Cash flows from financing activities:		
Permanently restricted reduction	(127)	(3,745)
Net decrease in cash and cash equivalents	<u>(173,462,054)</u>	<u>(300,023,265)</u>
Cash and cash equivalents, beginning of year	<u>463,756,973</u>	<u>763,780,238</u>
Cash and cash equivalents, end of year	<u>\$ 290,294,919</u>	<u>\$ 463,756,973</u>

See accompanying notes to consolidated financial statements.

## ROBERT R. MCCORMICK FOUNDATIONS

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### (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 currently 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 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 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 Project (Freedom Project)** is an Illinois corporation organized under the General Not-for-Profit Corporation Act of Illinois. The Freedom Project operates as an outreach program inspiring middle and high school students to understand, value, and protect their First Amendment rights. The Freedom Project's operations are supported by grants from McCormick. In 2009 the Freedom Project exercised an early termination option contained in the original lease for the McCormick Freedom Museum at the base of the Tribune Tower. The Freedom Project continues its mission without the physical museum space.

All members of the McCormick Board of Directors serve on the Boards of the other foundations.



## ROBERT R. MCCORMICK FOUNDATIONS

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### (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 Project. 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, 2009 and 2008.

#### *(b) New Accounting Standards*

The Foundations adopted the amended guidance from the Financial Accounting Standards Board (FASB) relating to fair value presentation in its December 31, 2009 financial statements and changed their valuation technique for their investments in private equity funds, hedge funds, and real estate funds. The new guidance affects how the Foundations measures the fair value of investments in certain entities that do not have a quoted market price but calculate a net asset value (NAV) per share, or its equivalent. As a practical expedient, the guidance permits, but does not require, the Foundations to measure the fair value of an investment within the scope of the guidance based on the investee's NAV per share or its equivalent. As a result of applying the practical expedient, the fair value of the Foundations' investments in private equity funds, hedge funds, and real estate funds was determined based on the NAV beginning with the December 31, 2009 valuation. Prior to adopting this guidance, the Foundations adjusted the NAV for liquidity restrictions and lock-ups that were characteristics of the Foundations' investments but not the underlying investments for which the NAV was determined. Adoption of this guidance did not have a material impact on the fair value determination of applicable investments; however, it did require additional disclosures. See Note 3 – Investments for the additional disclosures related to the amended guidance.

#### *(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.

## **ROBERT R. MCCORMICK FOUNDATIONS**

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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 in which they are 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 for the fiscal years 2009 or 2008.

#### **(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. generally accepted accounting principles 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) Tax Positions**

The Foundations adopted new provisions set by the FASB as of January 1, 2009, which clarified the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. Tax effects from an uncertain tax

## ROBERT R. MCCORMICK FOUNDATIONS

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

position can be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. 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 exempt from income tax under the Code section 501(c)(3), though they are subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. The tax years ending 2006, 2007, and 2008 are still open to audit for both Federal and state purposes. The adoption of this guidance did not have any impact on the Foundations' financial statements.

#### **(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 \$45,000,000 and \$40,000,000 in 2009 and 2008 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) Collections**

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

The Foundations' collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to the Foundations' policy that allows proceeds from their sales or insurance recoveries to be used to acquire other items for collections or to be recorded as increases in net assets.

#### **(j) Reclassifications**

Certain 2008 amounts have been reclassified in order to provide the financial information on a basis consistent with the 2009 presentation.

**ROBERT R. MCCORMICK FOUNDATIONS**

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

**(3) Investment Securities**

The following is a summary of cost and approximate fair values of the investment securities as of December 31, 2009 and 2008:

	2009		2008	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Investments:				
Marketable Securities				
Equities	\$ 73,878,670	\$ 66,106,683	\$ 34,111,515	\$ 45,573,276
Fixed income	213,234,970	206,667,538	195,899,334	200,788,911
Mutual Fund	27,818,800	25,225,396	—	—
Alternative investments:				
Domestic Equity Fund	157,556,186	180,395,031	122,223,792	206,425,053
International Equity Funds	150,418,950	186,852,181	90,041,144	170,919,946
High-Yield Credit	55,499,854	44,140,757	35,796,617	37,000,000
Hedge Funds	187,170,541	175,000,000	122,785,967	150,000,000
Private Equity	93,644,209	75,113,591	34,637,403	52,915,664
	<u>\$ 959,222,180</u>	<u>\$ 959,501,177</u>	<u>\$ 635,495,772</u>	<u>\$ 863,622,850</u>

Equities include permanently restricted assets of \$1,960,490 and \$1,596,509 as of December 31, 2009 and 2008, respectively (note 6). Investment manager fees totaled \$610,000 and \$564,000 as of December 31, 2009 and 2008, respectively.

Investments valued at NAV as of December 31, 2009, consisted of the following:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Domestic Equity Fund (a)	\$ 157,556,186	\$ —	Semi-monthly	7 days
International Equity Funds (b)	150,418,950	30,000,000	Monthly - Unlimited	4 - 30 days
High-Yield Credit (c)	55,499,854	—	Monthly - Quarterly	10 - 90 days
Hedge Funds (d)	187,170,541	15,000,000	Monthly - Annual	45 - 90 days
Private Equity (e)	<u>93,644,209</u>	<u>61,400,000</u>	No redemption until termination of partnership	
Total investments recorded at NAV	<u>\$ 644,289,740</u>			

(a) This category includes investments in an equity security fund primarily consisting of domestic common stocks. The NAV of the fund is determined by using the market value of the underlying

## ROBERT R. MCCORMICK FOUNDATIONS

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

securities. Semi-monthly fund redemptions are permitted but are restricted to 25% of the Foundation's fund balance with 7 days' notice. There are no future commitments.

- (b) This category includes investments in equity securities funds primarily consisting of non-U.S. common stocks. The NAV of the funds is determined using the market value of the underlying securities. The funds have no future commitments. The redemption frequency of these funds ranges from unlimited to monthly. Redemptions of the funds are permitted with notices ranging from 4 to 30 days.
- (c) This category includes investments in limited partnerships with assets consisting primarily of unleveraged bank loans and high-yield debt. The fair value of the investments in this category is based on the NAV per share of the investments. The redemption frequency of these funds ranges from monthly with a 10-day notice to quarterly with a 90-day notice.
- (d) This category includes investments in hedge funds that invest both long and short in U.S. and European equities, 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. The fair values of the investments in this category are based on the NAV per share of the investments. Permitted redemption frequencies range from monthly to annually with notice periods ranging from 45 to 90 days. A portion of the funds in this category cannot be redeemed until March 31, 2011, due to lock-up periods.
- (e) This category includes investments in limited partnerships with assets consisting of investments in U.S., European, and emerging markets private companies, real estate, distressed credit securities, leveraged bank loans, and mortgage backed securities. The fair values of the investments are based on the NAV per share of the investments. The private equity investments cannot be redeemed until the termination of the partnerships.

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 statements 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. 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). The three levels of the fair value hierarchy are described below.

## **ROBERT R. MCCORMICK FOUNDATIONS**

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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 certain U.S. Government and agency mortgage-backed debt securities and corporate-debt securities. Also included in Level 2 are investments measured using an NAV per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments 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. Also included in level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Foundation's 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 designates specific pricing services or indexes for each sector of the market based upon the provider's expertise.

**ROBERT R. MCCORMICK FOUNDATIONS**

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Fair values of equity securities have been determined based on prices provided by the Foundations' investment managers and their custodian bank. 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. Valuations provided by external investment managers 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, 2009. At December 31, 2009, Level 3 assets comprised approximately 26% of the Foundations' total investment portfolio fair value.

	Fair Value	Fair value measurements at December 31, 2009 using:		
		Level 1	Level 2	Level 3
Investments:				
Marketable Securities				
Equities	\$ 73,878,670	\$ 73,878,670	—	—
Fixed income	213,234,970	213,234,970	—	—
Mutual Fund	27,818,800	27,818,800	—	—
Alternative investments:				
Domestic Equity Fund	157,556,186	—	\$ 157,556,186	—
International Equity Fund	150,418,950	—	150,418,950	—
High-Yield Credit	55,499,854	—	34,534,855	\$ 20,964,999
Hedge Funds	187,170,541	—	50,094,120	137,076,421
Private Equity	93,644,209	—	—	93,644,209
Total	<u>\$ 959,222,180</u>	<u>\$ 314,932,440</u>	<u>\$ 392,604,111</u>	<u>\$ 251,685,629</u>

**ROBERT R. MCCORMICK FOUNDATIONS**

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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, 2008 using:		
		Level 1	Level 2	Level 3
Investments:				
Equities	\$ 34,111,510	\$ 34,111,510	—	—
Fixed income	58,331,889	58,331,889	—	—
Alternative investments:				
Domestic Equity Fund	122,223,792	—	\$ 122,223,792	—
International Equity Fund	90,041,144	—	90,041,144	—
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	\$ 635,495,767	\$ 230,010,844	\$ 248,061,553	\$ 157,423,370

The table below presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the period January 1, 2009 to December 31, 2009.

	Level 3 Assets			
	High-Yield Credit	Hedge Funds	Private Equity	Total
Beginning balance January 1, 2009	\$ —	\$ 122,785,967	\$ 34,637,403	\$ 157,423,370
Total net gains unrealized	5,042,111	24,632,163	36,808,880	66,483,154
Purchases, sales, issuances and settlements	—	(10,341,709)	57,636,825	47,295,116
Transfers in (out) of Level 3	15,922,888	—	(35,438,899)	(19,516,011)
Ending balance December 31, 2009	\$ 20,964,999	\$ 137,076,421	\$ 93,644,209	\$ 251,685,629



## ROBERT R. MCCORMICK FOUNDATIONS

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

The table below 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			Total
		High-Yield Credit	Hedge Funds	Private Equity	
Beginning balance January 1, 2008	\$	—	—	—	—
Total net losses unrealized		—	(27,214,033)	(18,278,261)	(45,492,294)
Purchases, sales, issuances and settlements		—	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 periods January 1, 2008 to December 31, 2008 and January 1, 2009 to December 31, 2009, there were no realized gains or losses included in earnings that were attributable to Level 3 assets still held at year-end, respectively.

#### (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, 2009 are scheduled for payment as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2010	\$ 11,151,175
2011	6,010,000
2012	2,892,000
2013	2,721,000
2014	1,651,000
2015	226,000
	<u>\$ 24,651,175</u>

## ROBERT R. MCCORMICK FOUNDATIONS

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

#### *(b) Lease Commitments*

McCormick signed a ten-year operating lease with Michigan Plaza LLC for general office space at 205 North Michigan Avenue, Chicago, Illinois. Annual lease commitments are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2010	\$ 126,000
2011	305,000
2012	314,000
2013	322,000
2014	330,000
Thereafter	<u>1,994,000</u>
	<u>\$ 3,391,000</u>

#### **(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 what is now the Cantigny Foundation. The original cost basis of \$839,000 for the 500 acres of land has been recorded and is reflected in the financial statements in permanently restricted net assets.

In 2006, McCormick received a permanently restricted endowment from the Frances Bioff Trust in the amount of \$2,003,776. 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, as that purpose is consistent with one of the overall missions of the Foundations, it is included in unrestricted net assets in the consolidated financial statements. Total professional service fees and back taxes pertaining to the final settlement of the estate have reduced the total permanently restricted endowment by \$39,815, leaving a total restricted endowment of \$1,963,961.

#### **(7) Fund-Raising Programs**

During 2009 and 2008, 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 2009 and 2008, the programs primarily focused on three areas of charitable activities: local communities, disaster relief, and aid to U.S. 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.

## ROBERT R. MCCORMICK FOUNDATIONS

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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 \$21,558,000 and \$22,489,000, are included as a component of unrestricted net assets in the consolidated statements of financial position at December 31, 2009 and 2008, 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 \$264,000 and \$224,000 for 2009 and 2008, 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 \$18,700 and \$17,900 for 2009 and 2008, 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 (\$5,775 in 2009). 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 \$873,000, \$482,000 and \$89,000, respectively, in 2009 and \$898,000, \$485,000 and \$82,000, respectively, in 2008.

In 2000, The Foundations established an Executive Mutual Fund Option Plan (Option Plan) for certain employees of the Foundations. Under the terms of the Option Plan, the employees forego salary in return for options on various third-party mutual funds. The Foundations are the writer of these options, which are exercisable at any time between January 1, 2001 and January 9, 2012. The Foundations have 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, 2009 and 2008, the fair value of the option liability was approximately \$142,000, which is included in accounts payable and accrued expenses in the consolidated statements of financial position.

## ROBERT R. MCCORMICK FOUNDATIONS

### Notes to Consolidated Financial Statements

December 31, 2009 and 2008

#### (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 reimbursements to participants for travel, lodging, and meals.

#### (10) Schedule of Functional Expenses

Expenses by functional category are as follows for the years ended December 31, 2009 and December 31, 2008:

	<u>2009</u>	<u>2008</u>
Grants approved	\$ 42,505,557	\$ 57,808,427
Program services	27,365,261	32,007,080
Management and general administration	6,159,077	6,782,778
Fundraising	<u>2,285,399</u>	<u>2,390,608</u>
Total Expenses	<u>\$ 78,315,294</u>	<u>\$ 98,988,893</u>

#### (11) Subsequent Events

In May 2009, the FASB issued guidance to incorporate the accounting and disclosure requirements for subsequent events into US GAAP. This introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. The Foundations adopted this guidance as of December 31, 2009, which was the required effective date. The Foundations evaluated their December 31, 2009 financial statements for subsequent events through June 14, 2010, and found no events that required disclosure.

**ROBERT R. MCCORMICK FOUNDATIONS**

December 31, 2009 and 2008

**SUPPLEMENTAL SCHEDULES**

## ROBERT R. MCCORMICK FOUNDATIONS

## Schedule of External Grant Approvals

Year ended December 31, 2009

Program	Number of grants	Total amount of grants approved
Fund-raising programs:		
Chicago Tribune Charities	2	\$ 40,000
Chicago Tribune Holiday Campaign	161	4,500,000
Courant Community Fund	4	24,000
Courant/Fox 61 Children's Holiday Campaign	8	52,000
Daily Press Holiday Fund	16	214,000
LA Times Family Fund	103	2,916,000
Morning Call Community Fund	5	25,000
Newsday Charities	42	1,294,000
North County Times Charities Fund	41	202,000
Orlando Sentinel Family Fund	8	175,000
Orlando Sentinel Holiday Campaign	40	864,000
Post-News Charities	54	543,500
Post-News Season to Share	74	2,341,500
Sun-Sentinel Children's Fund	111	1,490,000
The Yes! Fund	13	185,000
CW11 Care for Kids Fund	1	10,145
KTLA-TV Charities Fund	14	99,503
WGN Radio 720 Neediest Kids Fund	22	400,000
Cavaliers Youth Fund	8	550,000
Colorado Rockies Charity Fund	58	1,242,000
Cubs Care	47	1,110,000
Orlando Magic Youth Fund	23	659,000
Hurricane Ike Disaster Relief	3	252,068
Operation Healing Freedom	2	30,000
Welcome Back Veterans	21	2,967,226
General Fund	161	20,319,615
Total	1,042	\$ 42,505,557

See accompanying independent auditors' report.

**ROBERT R. MCCORMICK FOUNDATIONS**  
Consolidating Statement of Financial Position Information  
December 31, 2009

Assets	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Project	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 214,177,930	76,079,249	37,740	—	—	290,294,919
Investment securities	885,183,877	72,204,112	1,834,191	—	—	959,222,180
Accounts receivable	3,878,479	207,550	511	—	—	4,086,540
Other assets	500,357	388,884	12,525	—	—	901,766
Land, buildings, equipment, and improvements:						
Land	—	1,217,744	—	—	—	1,217,744
Buildings and improvements	377,766	38,235,870	250,872	300,874	—	39,165,382
Machinery, equipment, furniture and fixtures	319,281	7,941,196	—	5,384,433	—	13,644,910
Land improvements	—	13,140,194	—	—	—	13,140,194
Other infrastructure	—	3,478,551	11,683	—	—	3,490,234
Construction in process	—	726,418	—	219,056	—	945,474
	697,047	64,739,973	262,555	5,904,363	—	71,603,938
Less accumulated depreciation	(345,060)	(31,503,917)	(192,833)	(4,430,026)	—	(36,471,836)
	351,987	33,236,056	69,722	1,474,337	—	35,132,102
Due from affiliated organizations	—	5,049,704	—	—	(5,049,704)	—
Total assets	\$ 1,104,092,630	187,165,555	1,954,689	1,474,337	(5,049,704)	1,289,637,507
<b>Liabilities and Net Assets</b>						
Liabilities:						
Grants payable	\$ 24,651,175	—	—	—	—	24,651,175
Accounts payable and accrued expenses	605,868	2,415,303	91,994	101,292	—	3,214,457
Due to affiliated organizations	4,059,623	—	466,324	523,757	(5,049,704)	—
Total liabilities	29,316,666	2,415,303	558,318	625,049	(5,049,704)	27,865,632
Net assets:						
Unrestricted	1,072,812,003	183,911,252	1,396,371	849,288	—	1,258,968,914
Permanently restricted	1,963,961	839,000	—	—	—	2,802,961
Total net assets	1,074,775,964	184,750,252	1,396,371	849,288	—	1,261,771,875
Total liabilities and net assets	\$ 1,104,092,630	187,165,555	1,954,689	1,474,337	(5,049,704)	1,289,637,507

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 Project	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 386,490,023	77,266,068	82	800	—	463,756,973
Investment securities	577,920,550	56,089,962	1,485,260	—	—	635,495,772
Accounts receivable	2,266,827	418,153	511	907	—	2,686,398
Other assets	545,887	651,022	29,116	100,737	—	1,326,762
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 infrastructure	—	3,478,551	11,683	—	—	3,490,234
Construction in process	—	702,476	—	—	—	702,476
	<u>2,532,689</u>	<u>63,152,221</u>	<u>262,554</u>	<u>13,199,169</u>	<u>—</u>	<u>79,146,633</u>
Less accumulated depreciation	<u>(2,272,269)</u>	<u>(29,000,774)</u>	<u>(123,113)</u>	<u>(9,872,430)</u>	<u>—</u>	<u>(41,268,586)</u>
	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	<u>\$ 967,483,707</u>	<u>173,781,669</u>	<u>1,654,410</u>	<u>3,429,183</u>	<u>(5,205,017)</u>	<u>1,141,143,952</u>
<b>Liabilities and Net Assets</b>						
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	<u>33,806,240</u>	<u>2,087,890</u>	<u>864,041</u>	<u>1,383,081</u>	<u>(5,205,017)</u>	<u>32,936,235</u>
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	<u>933,677,467</u>	<u>171,693,779</u>	<u>790,369</u>	<u>2,046,102</u>	<u>—</u>	<u>1,108,207,717</u>
Total liabilities and net assets	<u>\$ 967,483,707</u>	<u>173,781,669</u>	<u>1,654,410</u>	<u>3,429,183</u>	<u>(5,205,017)</u>	<u>1,141,143,952</u>

See accompanying independent auditors' report.



**ROBERT R. MCCORMICK FOUNDATIONS**

## Consolidating Statement of Activities Information

Year ended December 31, 2009

	<b>Robert R. McCormick Foundation</b>	<b>Cantigny Foundation</b>	<b>Cantigny First Division Foundation</b>	<b>McCormick Freedom Project</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
Change in unrestricted net assets:						
Revenue:						
Dividends and interest on invested balances	\$ 19,087,577	2,433,165	37,658	—	—	21,558,400
Interest on bank accounts	—	—	—	—	—	—
Contributions	14,009,149	—	—	—	—	14,009,149
Net loss on sales of investments	(33,612,904)	(4,370,486)	—	—	—	(37,983,390)
Golf and restaurant operations	—	5,932,165	—	—	—	5,932,165
Museum and park operations	—	429,244	3,749	—	—	432,993
Other income	20,049	139,381	15,796	4,149	—	179,375
Total revenue	(496,129)	4,563,469	57,203	4,149	—	4,128,692
Expenses:						
Employees' salaries and benefits	5,649,244	8,039,491	1,771,042	1,409,244	—	16,869,021
Fund-raising program expenses	1,067,377	—	—	—	—	1,067,377
McCormick conference series	—	918,157	—	—	—	918,157
Food and retail merchandise	—	1,097,691	9,738	17,942	—	1,125,371
Supplies	177,272	941,070	85,988	94,650	—	1,298,980
Maintenance and repairs	138,944	401,838	69,913	16,022	—	626,717
Real estate taxes and insurance	81,709	635,502	12,287	10,734	—	740,232
Professional fees	1,611,534	230,930	47,492	58,897	—	1,948,853
Rent and utilities	350,657	363,641	64,259	1,207,905	—	1,986,462
Outside services	63,235	314,565	86,263	517,071	—	981,134
Business meetings and travel	361,786	99,935	59,498	59,545	—	580,764
Depreciation expense	286,201	3,689,023	69,720	2,071,460	—	6,116,404
Programs and exhibits	—	113,006	209,404	332,559	—	654,969
Directors' fees	169,104	49,101	15,258	14,672	—	248,135
Other expenses	97,747	368,371	56,576	124,467	—	647,161
Total expenses	10,054,810	17,262,321	2,557,438	5,935,168	—	35,809,737
Deficiency of revenue over expenses	(10,550,939)	(12,698,852)	(2,500,235)	(5,931,019)	—	(31,681,045)
Grants approved	(59,555,613)	—	—	—	17,050,056	(42,505,557)
Contributions from the Robert R. McCormick Foundation	—	9,558,545	2,757,305	4,734,206	(17,050,056)	—
(Deficiency) excess of revenue over expenses before change in unrealized net loss on investments	(70,106,552)	(3,140,307)	257,070	(1,196,813)	—	(74,186,602)
Decrease in unrealized net loss on investments	211,205,176	16,196,780	348,931	—	—	227,750,887
Increase (decrease) in unrestricted net assets	141,098,624	13,056,473	606,001	(1,196,813)	—	153,564,285
Change in permanently restricted assets:						
Permanently restricted reduction	(127)	—	—	—	—	(127)
Decrease in permanently restricted assets	(127)	—	—	—	—	(127)
Change in net assets	141,098,497	13,056,473	606,001	(1,196,813)	—	153,564,158
Net assets, beginning of year	933,677,467	171,693,779	790,369	2,046,102	—	1,108,207,717
Net assets, end of year	\$ 1,074,775,964	184,750,252	1,396,370	849,289	—	1,261,771,875

See accompanying independent auditors' report.

## ROBERT R. MCCORMICK FOUNDATIONS

Consolidating Statement of Activities Information

Year ended December 31, 2008

	<u>Robert R. McCormick Foundation</u>	<u>Cantigny Foundation</u>	<u>Cantigny First Division Foundation</u>	<u>McCormick Freedom Project</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Change in unrestricted net assets:						
Revenue:						
Dividends and interest on invested balances	\$ 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	<u>41,376,222</u>	<u>9,140,269</u>	<u>103,681</u>	<u>128,439</u>	<u>—</u>	<u>50,748,611</u>
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	<u>10,047,070</u>	<u>17,404,425</u>	<u>2,968,196</u>	<u>10,760,775</u>	<u>—</u>	<u>41,180,466</u>
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 net loss on investments	(188,952,550)	(19,755,729)	(887,715)	—	—	(209,595,994)
Decrease in unrestricted net assets	<u>(238,743,473)</u>	<u>(11,963,535)</u>	<u>(757,230)</u>	<u>(6,372,038)</u>	<u>—</u>	<u>(257,836,276)</u>
Change in permanently restricted assets:						
Permanently restricted reduction	(3,745)	—	—	—	—	(3,745)
Decrease in permanently restricted assets	<u>(3,745)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,745)</u>
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	<u>\$ 933,677,467</u>	<u>171,693,779</u>	<u>790,369</u>	<u>2,046,102</u>	<u>—</u>	<u>1,108,207,717</u>

**ROBERT R. MCCORMICK FOUNDATIONS**

## Consolidating Statement of Cash Flows Information

Year ended December 31, 2009

	<b>Robert R. McCormick Foundation</b>	<b>Cantigny Foundation</b>	<b>Cantigny First Division Foundation</b>	<b>McCormick Freedom Project</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
Cash flows from operating activities:						
Increase (decrease) in net assets	\$ 141,098,497	13,056,473	606,002	(1,196,814)	—	153,564,158
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:						
Net loss on sales of investments	33,612,904	4,370,486	—	—	—	37,983,390
Decrease in unrealized net loss on investments	(211,205,176)	(16,196,780)	(348,931)	—	—	(227,750,887)
Depreciation expense	286,202	3,689,023	69,719	2,071,460	—	6,116,404
Permanently restricted reduction	127	—	—	—	—	127
Net amortization of bond premium	(255,845)	(41,431)	—	—	—	(297,276)
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable and other assets	(1,566,122)	472,741	16,591	101,644	—	(975,146)
Decrease in grants payable	(5,059,875)	—	—	—	—	(5,059,875)
Decrease (increase) in due from affiliated organizations	—	155,313	—	—	(155,313)	—
Increase (decrease) in due to affiliated organizations	381,704	—	(243,965)	(293,052)	155,313	—
Increase (decrease) in accounts payable and accrued expenses	188,597	327,413	(61,758)	(464,980)	—	(10,728)
Net cash (used in) provided by operating activities	<u>(42,518,987)</u>	<u>5,833,238</u>	<u>37,658</u>	<u>218,258</u>	<u>—</u>	<u>(36,429,833)</u>
Cash flows from investing activities:						
Proceeds from disposition of investment securities	38,375,441	17,170,077	—	—	—	55,545,518
Purchases of investment securities	(167,790,651)	(21,416,502)	—	—	—	(189,207,153)
Purchases of equipment and improvements	(377,769)	(2,773,632)	—	(219,058)	—	(3,370,459)
Net cash used in investing activities	<u>(129,792,979)</u>	<u>(7,020,057)</u>	<u>—</u>	<u>(219,058)</u>	<u>—</u>	<u>(137,032,094)</u>
Cash flows from financing activities:						
Permanently restricted reduction	(127)	—	—	—	—	(127)
Net (decrease) increase in cash and cash equivalents	(172,312,093)	(1,186,819)	37,658	(800)	—	(173,462,054)
Cash and cash equivalents, beginning of year	386,490,023	77,266,068	82	800	—	463,756,973
Cash and cash equivalents, end of year	<u>\$ 214,177,930</u>	<u>76,079,249</u>	<u>37,740</u>	<u>—</u>	<u>—</u>	<u>290,294,919</u>

See accompanying independent auditors' report.

**ROBERT R. MCCORMICK FOUNDATIONS**

## Consolidating Statement of Cash Flows Information

Year ended December 31, 2008

	<b>Robert R. McCormick Foundation</b>	<b>Cantigny Foundation</b>	<b>Cantigny First Division Foundation</b>	<b>McCormick Freedom Project</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
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 decrease in net assets to net cash (used in) provided by operating activities:						
Net loss on sales of investments	7,820,441	1,040,219	—	—	—	8,860,660
Increase 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 assets	2,293,270	177,474	(9,698)	1,342	—	2,462,388
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	<u>(42,329,055)</u>	<u>11,532,793</u>	<u>110,989</u>	<u>329,300</u>	<u>—</u>	<u>(30,355,973)</u>
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)
Purchases of equipment and improvements	(182,671)	(7,606,122)	(67,564)	(328,500)	—	(8,184,857)
Net cash used in investing activities	<u>(256,331,437)</u>	<u>(12,703,000)</u>	<u>(300,610)</u>	<u>(328,500)</u>	<u>—</u>	<u>(269,663,547)</u>
Cash flows from financing activities:						
Permanently restricted reduction	(3,745)	—	—	—	—	(3,745)
Net (decrease) increase in cash and cash equivalents	<u>(298,664,237)</u>	<u>(1,170,207)</u>	<u>(189,621)</u>	<u>800</u>	<u>—</u>	<u>(300,023,265)</u>
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	<u>\$ 386,490,023</u>	<u>77,266,068</u>	<u>82</u>	<u>800</u>	<u>—</u>	<u>463,756,973</u>

See accompanying independent auditors' report.