

MAYER AND MORRIS KAPLAN FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

MAYER AND MORRIS KAPLAN FOUNDATION

December 31, 2004 and 2003

C O N T E N T S

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ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
MAYER AND MORRIS KAPLAN FOUNDATION

We have reviewed the accompanying statement of financial position of the MAYER AND MORRIS KAPLAN FOUNDATION (An Illinois Not-for-Profit Corporation), as of December 31, 2004, and the related statements of activities and cash flows for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the MAYER AND MORRIS KAPLAN FOUNDATION. The financial statements as of December 31, 2003, were reviewed by Friduss, Lukee, Schiff & Co., P.C., who merged with Reznick Group, P.C. as of January 1, 2005.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.


REZNICK GROUP, P.C.
Certified Public Accountants

Chicago, Illinois
June 13, 2005

MAYER AND MORRIS KAPLAN FOUNDATION

Statements of Financial Position

December 31, 2004 and 2003

EXHIBIT A

ASSETS

	<u>2004</u>	<u>2003</u>
Investments		
Cash Management Funds	\$ 18,953	\$ 1,774,138
Mutual Funds	6,594,934	6,096,104
Common Stocks	10,530,635	10,176,764
Fixed Income Securities	100,000	100,000
Partnerships	18,195,337	15,758,809
Total Investments	<u>35,439,859</u>	<u>33,905,815</u>
Furniture and Equipment		
Office Equipment and Furnishings	105,425	108,574
Less: Accumulated Depreciation	(98,007)	(99,458)
Furniture and Equipment, Net	<u>7,418</u>	<u>9,116</u>
Other Assets		
Interest Receivable	17,000	32,000
Due from Investment Companies	30,835	91,379
Total Other Assets	<u>47,835</u>	<u>123,379</u>
Total Assets	<u>\$ 35,495,112</u>	<u>\$ 34,038,310</u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Current Liabilities		
Income and Excise Taxes Payable	\$ 58,380	\$ 39,693
Unrestricted Net Assets (Exhibit B)	<u>35,436,732</u>	<u>33,998,617</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 35,495,112</u>	<u>\$ 34,038,310</u>

See accountant's review report.

MAYER AND MORRIS KAPLAN FOUNDATION

Statements of Activities

Years Ended December 31, 2004 and 2003

EXHIBIT B

	2004	2003
Revenue and Losses		
Contributions	\$ 515,764	\$ 395,761
Interest	142,174	167,320
Dividends	480,168	388,389
Realized Gains (Losses), Net	2,187,232	2,464,098
Other Income, Net	22,202	227,195
Revenue and Losses, Net	3,347,540	3,642,763
Expenses		
Grants Made	2,875,486	2,439,673
Investment Expenses	192,829	175,329
Professional Fees	14,146	15,710
Investment Advisor Fees	285,037	214,974
Office Expenses	60,654	69,491
Travel	24,620	32,968
Meals and Entertainment	9,308	4,134
Dues and Subscriptions	110	3,767
Salaries and Payroll Taxes	222,720	218,120
Rent Expense	4,005	3,910
Depreciation Expense	6,559	11,164
Interest Expense	34,013	9,401
Total Expenses	3,729,487	3,198,641
Change in Unrestricted Net Assets Before Unrealized Gains (Losses) on Investments and Income and Excise Taxes	(381,947)	444,122
Unrealized Gains (Losses) on Investments, Net	1,881,608	2,556,029
Change in Unrestricted Net Assets Before Income and Excise Taxes	1,499,661	3,000,151
Income and Excise Tax (Expense)	(61,546)	(42,448)
Change in Unrestricted Net Assets	1,438,115	2,957,703
Unrestricted Net Assets - Beginning of Year	33,998,617	31,040,914
Unrestricted Net Assets - End of Year (Exhibit A)	\$ 35,436,732	\$ 33,998,617

See accountant's review report.

MAYER AND MORRIS KAPLAN FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2004 and 2003

EXHIBIT C

	2004	2003
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 1,438,115	\$ 2,957,703
Adjustments to Reconcile Increase in Net Assets to Net Cash (Used In) Operating Activities:		
Depreciation	6,559	11,164
Realized (Gains) Losses on Investments, Net	(2,187,232)	(2,464,098)
Unrealized (Gains) Losses on Investments, Net	(1,881,608)	(2,556,029)
Noncash Contribution Revenue	(395,711)	(395,711)
(Increase) Decrease in Operating Assets:		
Interest Receivable	15,000	-
Refundable Tax Deposits	-	13,063
Increase (Decrease) in Operating Liabilities:		
Income and Excise Taxes Payable	18,687	39,693
Net Cash (Used in) Operating Activities	(2,986,190)	(2,394,215)
Cash Flows from Investing Activities:		
Purchases of Equipment	(4,861)	-
Sales (Purchases and Reinvestments) of Investments, Net	2,991,051	2,394,215
Net Cash Provided by Investing Activities	2,986,190	2,394,215
Net Increase (Decrease) in Cash	-	-
Cash, Beginning of Year	-	-
Cash, End of Year	\$ -	\$ -
Supplemental Disclosure of Cash Flow Information		
Cash Paid (Received) for Income and Excise Taxes, Net	\$ 42,859	\$ (10,308)
Cash Paid for Interest	\$ 34,013	\$ 9,401
Supplemental Disclosure of Noncash Investing Activity		
Contribution Revenue	\$ 515,664	\$ 395,711
Purchases of Investments	(515,664)	(395,711)
Net	\$ -	\$ -

See accountant's review report.

MAYER AND MORRIS KAPLAN FOUNDATION

Notes to the Financial Statements

December 31, 2004 and 2003

NOTE 1 - ORGANIZATION

The MAYER AND MORRIS KAPLAN FOUNDATION (the Foundation) was organized as a private foundation for the purpose of supporting recognized charitable organizations within the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis.

Investments

Investments are comprised of cash management funds, mutual funds, common stocks, fixed income securities, and partnerships, and are carried at fair value. Unrealized gains and losses are included in the Statements of Activities.

The determination of fair value of the investments, including mutual funds, common stocks, and fixed income securities, is based on the quoted fair value. The fair value of investments in partnerships is based on the cost of the initial investment, which is increased or decreased by any realized and unrealized gains (losses), additions and withdrawals.

Furniture and Equipment

Purchases of furniture and equipment are carried at cost. Depreciation is provided using an accelerated method over the estimated useful lives of the assets.

Due from Investment Companies

The balance due from investment companies represents proceeds from the sale or disposal of an investment, which was received in the following year.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. The Foundation has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets. Any noncash distributions received are recorded at the fair market value of the asset at the time of the donation.

MAYER AND MORRIS KAPLAN FOUNDATION

Notes to the Financial Statements

December 31, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Federal Income and Excise Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income taxes. In 2004 and 2003, the Foundation incurred taxes on unrelated business income passed through from partnership investments.

In accordance with the applicable provisions of the Internal Revenue Code, the Foundation is subject to a 1% excise tax on net investment income, including realized gains, as defined in the Code.

In addition, the Code requires that certain minimum distributions be made in accordance with a specified formula. At December 31, 2004 and 2003, the Foundation had distributed more than the required minimum.

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.

NOTE 3 - CASH MANAGEMENT FUNDS

The Foundation maintains a portion of its cash management funds in a bank deposit account that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk on its bank deposit account.

The Foundation maintains accounts with four brokerage firms. The accounts contain cash management funds and other securities. Balances are insured up to \$500,000 by the Security Investor Protection Corporation against potential losses, excluding decreases in market value. The Foundation has not experienced any losses in its cash management funds. Management believes the Foundation is not exposed to any significant credit risk on cash management funds.

MAYER AND MORRIS KAPLAN FOUNDATION

Notes to the Financial Statements

December 31, 2004 and 2003

NOTE 4 - INVESTMENTS

Investments as of December 31, 2004, are summarized as follows:

<u>UNRESTRICTED:</u>	<u>Cost Basis</u>	<u>Fair Value</u>
Cash Management Funds	\$ 18,953	\$ 18,953
Mutual Funds	5,279,197	6,594,934
Common Stocks	7,296,559	10,530,635
Fixed Income Securities	100,000	100,000
Partnerships	15,042,394	18,195,337
Total Investments (Exhibit A)	<u>\$ 27,737,103</u>	<u>\$ 35,439,859</u>

Investments as of December 31, 2003, are summarized as follows:

<u>UNRESTRICTED:</u>	<u>Cost Basis</u>	<u>Fair Value</u>
Cash Management Funds	\$ 1,774,138	\$ 1,774,138
Mutual Funds	5,332,477	6,096,104
Common Stocks	7,349,119	10,176,764
Fixed Income Securities	100,000	100,000
Partnerships	13,476,208	15,758,809
Total Investments (Exhibit A)	<u>\$ 28,031,942</u>	<u>\$ 33,905,815</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Interest	\$ 142,174	\$ 167,320
Dividends	480,168	388,389
Realized Gains (Losses), Net	2,187,232	2,464,098
Unrealized Gains (Losses), Net	1,881,608	2,556,029
Other Income, Net	22,202	227,195
Investment Expenses	(192,829)	(175,329)
Interest Expense	(34,013)	(9,401)
Advisor Fees	(285,037)	(214,974)
Net Investment Return	<u>\$ 4,201,505</u>	<u>\$ 5,403,327</u>

MAYER AND MORRIS KAPLAN FOUNDATION

Notes to the Financial Statements

December 31, 2004 and 2003

NOTE 5 - RELATED PARTY TRANSACTIONS

During 2004 and 2003, trustees of the Foundation contributed stocks with a fair value of \$515,664 and \$395,711, respectively.

During 2004 and 2003, the Foundation paid Kaplan Family Investments (KFI), an affiliate of the trustees, \$107,750 and \$84,040, respectively, for investment advisor fees.