



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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**MAYER AND MORRIS KAPLAN FOUNDATION**

December 31, 2005 and 2004

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## ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees  
Mayer and Morris Kaplan Foundation

We have reviewed the accompanying statements of financial position of the Mayer and Morris Kaplan Foundation (An Illinois Not-for-Profit Corporation), as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years 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.

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 auditing standards generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America.

Skokie, Illinois  
June 27, 2006

*Reznick Group, P.C.*

**MAYER AND MORRIS KAPLAN FOUNDATION**

Statements of Financial Position

December 31, 2005 and 2004

EXHIBIT A

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
<b>Investments</b>		
Cash Management Funds	\$ 909,862	\$ 18,953
Mutual Funds	5,787,569	6,594,934
Common Stocks	10,554,310	10,530,635
Fixed Income Securities	100,000	100,000
Partnerships	16,613,043	18,195,337
	<u>33,964,784</u>	<u>35,439,859</u>
<b>Furniture and Equipment</b>		
Office Equipment and Furnishings	105,425	105,425
Less: Accumulated Depreciation	(99,696)	(98,007)
	<u>5,729</u>	<u>7,418</u>
<b>Other Assets</b>		
Prepaid Expenses	91,140	-
Interest Receivable	30,800	17,000
Due from Investment Companies	708,370	30,835
	<u>830,310</u>	<u>47,835</u>
<b>Total Assets</b>	<u>\$ 34,800,823</u>	<u>\$ 35,495,112</u>
<b><u>LIABILITIES AND UNRESTRICTED NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Income and Excise Taxes Payable	\$ 23,000	\$ 58,380
	<u>23,000</u>	<u>58,380</u>
<b>Unrestricted Net Assets</b>	<u>34,777,823</u>	<u>35,436,732</u>
<b>Total Liabilities and Unrestricted Net Assets</b>	<u>\$ 34,800,823</u>	<u>\$ 35,495,112</u>

See notes to the financial statements.

**MAYER AND MORRIS KAPLAN FOUNDATION**

Statements of Activities

Years Ended December 31, 2005 and 2004

EXHIBIT B

	2005	2004
<b>Revenue</b>		
Contributions	\$ 1,031,914	\$ 515,764
Interest	172,654	142,174
Dividends	574,864	480,168
Realized Gains (Losses), Net	2,063,951	2,187,232
Other Income, Net	15,422	22,202
	<u>3,858,805</u>	<u>3,347,540</u>
<b>Grants and Expenses</b>		
Grants Made	3,304,990	2,875,486
Investment Expenses	203,767	192,829
Professional Fees	15,897	14,146
Investment Advisor Fees	250,519	285,037
Office Expenses	76,076	60,654
Travel	39,139	24,620
Meals and Entertainment	17,282	9,308
Dues and Subscriptions	-	110
Salaries and Payroll Taxes	229,170	222,720
Rent Expense	11,697	4,005
Depreciation Expense	1,689	6,559
Interest Expense	56,642	34,013
	<u>4,206,868</u>	<u>3,729,487</u>
<b>Change in Unrestricted Net Assets Before     Unrealized Gains (Losses) on Investments and     Income and Excise Taxes</b>	(348,063)	(381,947)
<b>Unrealized Gains (Losses) on Investments, Net</b>	<u>(223,249)</u>	<u>1,881,608</u>
<b>Change in Unrestricted Net Assets Before     Income and Excise Taxes</b>	(571,312)	1,499,661
<b>Income and Excise Tax Expense</b>	<u>(87,597)</u>	<u>(61,546)</u>
<b>Change in Unrestricted Net Assets</b>	(658,909)	1,438,115
<b>Unrestricted Net Assets - Beginning of Year</b>	<u>35,436,732</u>	<u>33,998,617</u>
<b>Unrestricted Net Assets - End of Year</b>	<u>\$ 34,777,823</u>	<u>\$ 35,436,732</u>

See notes to the financial statements.

**MAYER AND MORRIS KAPLAN FOUNDATION**

Statements of Cash Flows

December 31, 2005 and 2004

EXHIBIT C

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ (658,909)	\$ 1,438,115
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used In)		
Operating Activities:		
Depreciation	1,689	6,559
Unrealized (Gains) Losses on Investments, Net	223,249	(1,881,608)
Noncash Contribution Revenue	(1,026,583)	(515,764)
(Increase) Decrease in Operating Assets:		
Interest Receivable	(13,800)	15,000
Prepaid Expenses	(91,140)	-
Increase (Decrease) in Operating Liabilities:		
Income and Excise Taxes Payable	(35,380)	18,687
	<u>(1,600,874)</u>	<u>(919,011)</u>
Net Cash Provided by (Used in) Operating Activities		
<b>Cash Flows from Investing Activities:</b>		
Purchases of Equipment	-	(4,861)
Sales (Purchases and Reinvestments) of Investments, Net	1,600,874	923,872
	<u>1,600,874</u>	<u>919,011</u>
Net Cash Provided by (Used in) Investing Activities		
<b>Net Increase (Decrease) in Cash</b>	-	-
<b>Cash, Beginning of Year</b>	-	-
<b>Cash, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid (Received) for Income and Excise Taxes, Net	<u>\$ 122,977</u>	<u>\$ 42,859</u>
Cash Paid for Interest	<u>\$ 56,642</u>	<u>\$ 34,013</u>

See notes to the financial statements.

# MAYER AND MORRIS KAPLAN FOUNDATION

Notes to the Financial Statements

December 31, 2005 and 2004

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## NOTE 1 - ORGANIZATION

The Mayer and Morris Kaplan Foundation (the Foundation) was established on August 11, 1959, 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, and fixed income securities, 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 Foundation accounts for its investment in operating limited partnerships using the equity method of accounting due to its lack of significant control over major operating decisions. Under the equity method, the investments are recorded at cost, and increased or decreased by the Foundation's share of the Operating Limited Partnerships' income or losses, and decreased by the amount of any distributions received.

### 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

# MAYER AND MORRIS KAPLAN FOUNDATION

## Notes to the Financial Statements

December 31, 2005 and 2004

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

#### Contributions - Continued

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.

Noncash contributions are recorded at their fair values at the time the contribution is received.

#### 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 2005 and 2004, the Foundation incurred taxes on unrelated business income passed through from partnership investments.

According to 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, 2005 and 2004, the Foundation had distributed more than the required minimum.

#### Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **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



# MAYER AND MORRIS KAPLAN FOUNDATION

Notes to the Financial Statements

December 31, 2005 and 2004

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## NOTE 3 - CASH MANAGEMENT FUNDS - (Continued)

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.

## NOTE 4 - INVESTMENTS

Investments as of December 31, 2005, are summarized as follows:

<u>UNRESTRICTED:</u>	<u>Cost Basis</u>	<u>Fair Value</u>
Cash Management Funds	\$ 909,862	\$ 909,862
Mutual Funds	4,647,603	5,787,569
Common Stocks	7,652,823	10,554,310
Fixed Income Securities	100,000	100,000
Partnerships	13,736,934	16,613,043
Total Investments (Exhibit A)	<u>\$ 27,047,222</u>	<u>\$ 33,964,784</u>

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>

# MAYER AND MORRIS KAPLAN FOUNDATION

## Notes to the Financial Statements

December 31, 2005 and 2004

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### NOTE 4 - INVESTMENTS - (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Interest	\$ 172,654	\$ 142,174
Dividends	574,864	480,168
Realized Gains (Losses), Net	2,063,951	2,187,232
Unrealized Gains (Losses), Net	(223,249)	1,881,608
Other Income, Net	15,422	22,202
Investment Expenses	(203,767)	(192,829)
Interest Expense	(56,642)	(34,013)
Advisor Fees	(250,519)	(285,037)
	<u>\$ 2,092,714</u>	<u>\$ 4,201,505</u>

### NOTE 5 - RELATED PARTY TRANSACTIONS

During 2005 and 2004, trustees of the Foundation contributed stocks with a fair value of \$1,026,583 and \$515,764, respectively. During 2005, an affiliated foundation contributed cash in the amount of \$5,331.

During 2005 and 2004, the Foundation paid Kaplan Family Investments (KFI), an affiliate of the trustees, \$128,525 and \$107,750, respectively, for investment advisor fees.