MAYER AND MORRIS KAPLAN FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mayer & Morris Kaplan Foundation

We have audited the accompanying financial statements of Mayer & Morris Kaplan Foundation, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Lipschultz, Levin & Gray
L.L.C. Certified Public Accountants
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mayer & Morris Kaplan Foundation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally, accepted in the united State of America.

Lipschultz, Levin & Gray, L.L.C.

Lipschultz, Levin & Gray, L.L.C.
Northbrook, Illinois
December 3, 2014

EXHIBIT A

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CASH	$ 20,000	$ 20,000
INVESTMENTS:		
Cash Management Funds	7,266,431	1,085,356
Bond Mutual Funds	3,480,385	8,890,575
Common Stocks and Mutual Funds	20,408,924	15,440,175
Limited Partnerships	5,972,458	5,983,294
Offshore Hedge Funds	1,357,287	3,013,669
TOTAL INVESTMENTS	38,485,485	34,413,069
FURNITURE AND EQUIPMENT:		
Office Equipment and Furnishings	105,425	105,425
Less: Accumulated Depreciation	(105,425)	(105,425)
FURNITURE AND EQUIPMENT, NET	0	0
OTHER ASSETS:		
Distributions Receivable from Limited Partnerships		1,271,824
Prepaid Expenses	86,300	
TOTAL OTHER ASSETS	86,300	1,271,824
TOTAL ASSETS	$38,591,785	$35,704,893
LIABILITIES AND UNRESTRICTED NET ASSETS		
LIABILITIES:		
Current and Deferred Income and Excise Taxes Payable	$ 179,114	$ 152,913
Grants Payable	1,743,333	2,521,667
TOTAL LIABILITIES	1,922,447	2,674,580
UNRESTRICTED NET ASSETS	36,669,338	33,030,313
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	$38,591,785	$35,704,893

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

EXHIBIT B

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUES AND OTHER INCOME:		
Contributions	$ 517,001	$ 797,397
Interest	78,343	87,861
Dividends	571,049	679,916
Realized Gains, Net	1,387,553	1,323,137
Other Income, Net	21,498	34,335
TOTAL NET REVENUES AND OTHER INCOME	2,575,444	2,922,646
GRANTS AND EXPENSES:		
Grant Expenditures	2,211,798	2,347,485
Investment Expenses	225,990	206,577
Investment Interest Expense	968	2,708
Professional Fees	32,745	35,862
Investment Advisor Fees	90,939	84,732
Office Expenses	44,630	54,469
Travel and Meetings	9,672	28,591
Meals and Entertainment	5,571	8,267
Salaries and Payroll Taxes	234,879	248,339
Consulting and Other Expenses	2,890	43,472
TOTAL GRANTS AND EXPENSES	2,860,082	3,060,502
DECREASE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAINS ON INVESTMENTS, NET AND INCOME AND EXCISE TAXES EXPENSE	(284,638)	(137,856)
UNREALIZED GAINS ON INVESTMENTS, NET	4,029,798	2,304,639
INCREASE IN UNRESTRICTED NET ASSETS BEFORE INCOME AND EXCISE TAXES EXPENSE	3,745,160	2,166,783
INCOME AND EXCISE TAXES EXPENSE	(106,135)	(187,158)
INCREASE IN UNRESTRICTED NET ASSETS	3,639,025	1,979,625
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	33,030,313	31,050,688
UNRESTRICTED NET ASSETS - END OF YEAR	$36,669,338	$33,030,313

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

EXHIBIT C

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:		
Increase in Unrestricted Net Assets	$ 3,639,025	$ 1,979,625
Adjustments to Reconcile Increase (Decrease) in Unrestricted Net Assets to Net Cash Flows Used by Operating Activities:		
Gains Losses on Investments, Net	(4,029,798)	(2,304,639)
(Increase) Decrease in:		
Contributions Receivable		12,066,735
Distributions Receivable	1,271,824	(1,271,824)
Prepaid Expenses	(86,300)	
Current and Deferred Income and Excise Taxes, Net	26,201	159,093
Grants Payable	(778,334)	(761,000)
NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	42,618	9,867,990
CASH FLOW FROM (USED BY) INVESTING ACTIVITY -		
Sales of Investments and Partnership Distributions, Net of Additional Investments	(42,618)	(10,297,588)
NET DECREASE IN CASH		(429,598)
CASH - BEGINNING OF YEAR	20,000	449,598
CASH - END OF YEAR	$ 20,000	$ 20,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Income and Excise Taxes, Net	$ 58,099	$ 28,065
Investment Interest Expense	$ 969	$ 2,708

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

MAYER AND MORRIS KAPLAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

ORGANIZATION AND NATURE OF ACTIVITIES

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Foundation are prepared on the accrual basis of accounting.

Investments:

Investments of cash management funds, mutual funds, common stocks (foreign and domestic) funds are carried at fair value based on quoted market prices and net asset values. Quoted prices are provided for offshore hedge funds however these investments are not readily tradable. Unrealized gains and losses are included in the Statement of Activities.

The Foundation utilizes the practical expedient in valuing its investment in limited partnerships. The practical expedient is an acceptable method under accounting principles generally accepted in the United State of America to determine the fair value of investments that do not have a readily determinable fair value predicated upon a public market and have the attributes of an investment company. The Foundation first utilizes the equity method based on K-1 capital account balances provided by the general partner. Under the equity method, the investments are recorded at cost, and increased by the Foundation's share of the limited partnerships' operating income and additional capital contributions, and decreased by the amount of any distributions received or receivable and operating losses of the limited partnerships. Management then takes into consideration the other information provided by the general partner to determine overall reasonableness of the recorded value. Management believes that this method represents the best estimate of the partnerships' fair values. Because of the inherent uncertainty of valuing the investments in such partnerships and certain of the underlying investments held by the partnerships, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed.

Net Assets:

The foundation reports information regarding its financial position and activities in three classes of net assets unrestricted net assets temporarily restricted net asset and permanently restricted net assets. As of December 31, 2013 and 2012 and for the years then ended the foundation only has unrestricted net assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and Equipment:

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

Distributions Receivable:

The distributions receivable at December 31, 2012 of $1,271,824 represented distributions paid by limited partnership investments prior to the end of the year but not received by the Foundation until the subsequent year.

Contributions:

Contributions 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.

Bequests are recorded as contributions in the year of the passing of the donor to the extent that such amounts are readily determinable.

Any noncash distributions received are recorded at the fair market value of the asset at the time of the donation.

Grant Expenditures:

Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to substantial future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. As of December 31, 2013 and 2012 the Foundation had approved but unpaid grants amounting to $1,743,333 and $2,521,667, respectively (see *Grants Payable* footnote).

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 (the "Code"), except for unrelated business income taxes. In 2013 and 2012, the Foundation incurred taxes on unrelated business income passed through from partnership investments

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income and Excise Taxes (Continued):

In addition, according to the applicable provisions of the Code, the Foundation is subject to an excise tax (1% or 2%) 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, 2013 and 2012, the Foundation had distributed more than the required minimum.

Management believes that its tax positions have been taken in accordance with the rules and regulations of the respective taxing authorities in which it files and that they have filed in jurisdictions where required.

The Foundation's income tax returns have not been examined by the tax authorities for the last three years, which remain as the years that are generally still subject to examination. Management realizes that there may be differences of opinion relating to interpretations taken by taxing authorities and that certain tax jurisdictions may require filings which have not been made. However, through December 3, 2014, there have not been any material claims made by any taxing authorities that have not been appropriately defended or provided for in the financial statements, nor is management aware of any specific uncertain tax positions that currently exist.

Deferred Income Taxes:

Deferred income taxes are determined utilizing the liability approach. This method gives consideration to the future tax consequences associated with differences between financial and tax accounting. Such differences relate to the Foundation's unrealized gains or losses on its investments. This method gives immediate effect to changes in income tax laws upon enactment. The income effect is derived from changes in the deferred income tax account on the Statement of Financial Position. Substantially all of the tax provision is comprised of deferred taxes.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United State 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

CASH AND CASH MANAGEMENT FUNDS

The Foundation maintains its cash accounts in what it believes are high-quality financial institutions. Nevertheless, there is exposure where balances exceed federally insured limits.

The Foundation maintains accounts with brokerage firms. The accounts contain cash management funds and other securities. Balances are insured up to $500,000 for each brokerage firm 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 that the Foundation is not exposed to any significant credit risk on these accounts.

The Foundation considers cash management funds to be investments since the balances in such accounts routinely exceed the amounts required to fund normal operating expenses.

For the purpose of the statement of cash flows, the Foundation does not consider highly liquid investments with maturity of three months or less, when purchased, to be cash equivalents.

FAIR VALUE OF INVESTMENTS

The Foundation's investments at fair value are summarized below as of December 31, 2013:

	Cost/Equity Basis	Fair Value
Cash Management Funds	$ 7,266,431	$ 7,266,431
Bond Mutual Funds	3,569,431	3,480,535
Common Stocks and Mutual Funds	9,954,024	20,408,924
Limited Partnerships	5,972,458	5,972,458
Offshore Hedge Funds	1,814,231	1,357,287
Total Investments	$ 28,576,575	$ 38,485,635

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FAIR VALUE OF INVESTMENTS (Continued)

The Foundation's investments at fair value are summarized below as of December 31, 2012:

	Cost/Equity Basis	Fair Value
Cash Management Funds	$ 1,085,356	$ 1,085,356
Bond Mutual Funds	8,500,466	8,890,575
Common Stocks and Mutual Funds	8,972,262	15,440,175
Limited Partnerships	5,983,294	5,983,294
Offshore Hedge Funds	1,820,646	3,013,669
Total Investments	$ 26,362,024	$ 34,413,069

Accounting principles generally accepted in the United States of America have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of

FAIR VALUE OF INVESTMENTS (Continued)

unobservable inputs. See *Summary of Significant Accounting Policies* for description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

The valuation methods described in the *Summary of Significant Accounting Policies* may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
Cash Management Funds		$ 7,266,431		$ 7,266,431
Bond Mutual Funds	$ 3,480,385			3,480,385
Common Stocks and Mutual Funds	20,408,924			20,408,924
Limited Partnerships			$ 5,972,458	5,972,458
Offshore Hedge Funds			1,357,287	1,357,287
Total	$ 23,889,309	$ 7,266,431	$ 7,329,745	$ 38,485,485

FAIR VALUE OF INVESTMENTS (Continued)

The following table sets forth, by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2012:

Description	Level 1	Level 2	Level 3	Total
Cash Management Funds		$ 1,085,356		$ 1,085,356
Bond Mutual Funds	$ 8,890,575			8,890,575
Common Stocks and Mutual Funds	15,440,175			15,440,175
Limited Partnerships			$ 5,983,294	5,983,294
Offshore Hedge Funds			3,013,669	3,013,669
Total	$ 24,330,750	$ 1,085,356	$ 8,996,963	$ 34,413,069

The following table provides a summary of changes in fair value of the Foundation's Level 3 investments in limited partnerships, as well as the portion of gains or losses included in income attributable to unrealized gains or losses that relate to those investments held at December 31, 2013 and 2012:

	2013 Limited Partnerships	2012 Limited Partnerships
Balance, January 1	$ 5,983,294	$ 7,769,992
Investment Income, Net	1,123,102	983,720
Purchases, Issuances and Settlements, Net	(1,133,938)	(2,770,418)
Balance, December 31	$ 5,972,458	$ 5,983,294
Portion of Investment Income, Net Relating to Those Assets Still Held	$ 1,123,102	$ 983,720

FAIR VALUE OF INVESTMENTS (Continued)

The above information for the Level 3 investments in Offshore Hedge Funds is not available since they represent a segment of total investments in a master fund with portions attributable to all levels.

GRANTS PAYABLE

Grants payable totaling $1,743,333 and $2,521,667 at December 31, 2013 and 2012, respectively, consisted of approved grant commitments. As of December 31, 2013, based on the specific grant agreements, amounts payable are expected to be paid in the following years:

2014	$ 1,108,333
2015	635,000
Total Grants Payable	$ 1,743,333

INVESTMENT RETURN

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2013 and 2012:

	2013	2012
Interest	$ 78,343	$ 87,861
Dividends	571,049	679,916
Realized Gains, Net	1,387,553	1,323,137
Unrealized Gains, Net	4,029,798	2,304,639
Other Income, Net	21,498	34,335
Investment Expenses	(225,990)	(206,577)
Investment Interest Expense	(968)	(2,708)
Investment Advisor Fees	(90,939)	(84,732)
Investment Income, Net	$ 5,770,344	$ 4,135,871

RELATED PARTY TRANSACTIONS

During 2013 and 2012, the Foundation received investment advisor, personnel and other services from Kaplan Family Investments (KFI), an affiliate of the trustees, and paid KFI $345,411 and $365,205 respectively, for those services.

In December 2013 the Foundation paid KFI $86,300 as an advance to be applied against services to be provided by KFI in 2014. This amount is disclosed as *Prepaid Expenses* in the accompanying 2013 Statement of Financial Position.

RISKS AND UNCERTAINTIES

The Foundation invests in various types of investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

COMMITMENT

As of December 31, 2013 and 2012, the Foundation was committed to future capital calls on its investments amounting to approximately $435,000 and $515,000, respectively.

SUBSEQUENT EVENTS

The Foundation management has evaluated subsequent events through December 3, 2014, the date which the financial statements were available for issue.

On February 26, 2014, the Foundation entered into a Fund Division Agreement with Dolores Kohl Kaplan, a former trustee of the Foundation, and the Dolores Kohl Education Foundation ("Kohl Foundation"). The agreement requires the Foundation to make a grant to the Kohl Foundation. The grant, which, through October 18, 2014 amounted to $11,917,700 was paid in installments before October 18, 2014. De minims amounts remain to be transferred upon certain hedge liquidations and other transactions. The remaining transfers do not have an agreed upon end date.