MAYER AND MORRIS KAPLAN FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
Mayer and Morris Kaplan Foundation
Highland Park, Illinois

We have reviewed the accompanying financial statements of Mayer and Morris Kaplan Foundation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 free from material misstatement, whether due to fraud or error.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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.

Prior Period Financial Statements

The 2017 financial statements were audited by us, and we expressed an unqualified opinion on them in our report dated October 17, 2018, but we have not performed any auditing procedures since that date.

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

Lipschultz, Levin & Gray, LLC
Northbrook, Illinois
September 27, 2019

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	Reviewed 2018	Audited 2017
ASSETS		
CASH	$ 194,547	$ 618,908
INVESTMENTS:		
Cash Management Funds	882,530	1,460,335
Bond Mutual Funds	1,484,495	1,496,085
Common Stocks and Mutual Funds	13,555,406	16,064,305
Limited Partnerships	6,606,998	7,535,159
Offshore Hedge Funds	2,615,726	2,758,020
TOTAL INVESTMENTS	25,145,155	29,313,904
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 ASSET -		
Other Receivables	5,438	3,897
TOTAL ASSETS	$ 25,345,140	$ 29,936,709
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Current and Deferred Income and Excise Taxes Payable	$ 107,089	$ 152,007
Grants Payable	668,000	687,000
TOTAL LIABILITIES	775,089	839,007
NET ASSETS:		
Without Donor Restrictions	24,570,051	29,097,702
TOTAL LIABILITIES AND NET ASSETS	$ 25,345,140	$ 29,936,709

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Reviewed 2018	Audited 2017
REVENUES AND OTHER INCOME:		
Contributions	$ 455,789	$ 317,766
Interest	64,991	40,220
Dividends	583,248	495,270
Realized Gains, Net	2,425,516	1,924,124
Other Income, Net	307,063	317,027
Investment Expenses	(364,001)	(366,840)
Investment Interest Expense	(882)	(44,397)
Investment Advisor Fees	(120,652)	(124,176)
TOTAL REVENUES AND OTHER INCOME	3,351,072	2,558,994
GRANTS AND EXPENSES:		
Grant Expenditures	2,184,081	1,847,595
Professional Fees	27,304	14,159
Office Expenses	59,025	60,902
Travel and Meetings	26,767	26,949
Meals and Entertainment	10,212	6,501
Salaries and Payroll Taxes	231,895	238,979
Consulting and Other Expenses	30,588	29,120
TOTAL GRANTS AND EXPENSES	2,569,872	2,224,205
INCREASE IN NET ASSETS BEFORE UNREALIZED GAINS (LOSSES) ON INVESTMENTS, NET AND INCOME AND EXCISE TAXES EXPENSE	781,200	334,789
UNREALIZED GAINS (LOSSES) ON INVESTMENTS, NET	(5,264,777)	3,010,736
INCREASE (DECREASE) IN NET ASSETS BEFORE INCOME AND EXCISE TAXES EXPENSE	(4,483,577)	3,345,525
INCOME AND EXCISE TAXES EXPENSE	(44,074)	(102,425)
INCREASE (DECREASE) IN NET ASSETS	(4,527,651)	3,243,100
NET ASSETS - BEGINNING OF YEAR	29,097,702	25,854,602
NET ASSETS - END OF YEAR	$ 24,570,051	$ 29,097,702

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

EXHIBIT C

MAYER AND MORRIS KAPLAN FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Reviewed 2018	Audited 2017
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	$ (4,527,651)	$ 3,243,100
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Flows From Operating Activities:		
Unrealized (Gains) Losses on Investments, Net	5,264,777	(3,010,736)
Increase in Other Receivables	(1,541)	
Increase (Decrease) in:		
Current and Deferred Income and Excise Taxes, Net	(44,918)	32,939
Grants Payable	(19,000)	
NET CASH FLOWS FROM OPERATING ACTIVITIES	671,667	265,303
CASH FLOWS FROM (USED BY) INVESTING ACTIVITY -		
Sales of Investments and Partnership Distributions, Net of Additional Investments	(1,096,028)	175,004
NET INCREASE (DECREASE) IN CASH	(424,361)	440,307
CASH - BEGINNING OF YEAR	618,908	178,601
CASH - END OF YEAR	$ 194,547	$ 618,908
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Income and Excise Taxes	$ 57,797	$ 38,000
Investment Interest Expense	$ 882	$ 44,397

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

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 and common stocks (foreign and domestic) 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 Statements of Activities.

The Foundation utilizes the practical expedient in valuing its investment in limited partnerships and certain of the underlying investments held by the 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, 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 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue Recognition for Contributions:

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 contributions 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, 2018 and 2017, the Foundation had approved but unpaid grants amounting to $668,000 and $687,000 respectively (see the *Grants Payable* note).

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 2018 and 2017, the Foundation incurred taxes on unrelated business income passed through from partnership investments.

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, 2018 and 2017, the Foundation had distributed more than the required minimum.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income and Excise Taxes (Continued):

The Foundation's federal tax returns have not been examined by the tax authorities for the last three years, which remain as the years generally still subject to examination. Management realizes there may be differences of opinion relating to interpretations taken by taxing authorities and certain tax jurisdictions may require filings that have not been made. However, through September 27, 2019, 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 Statements 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.

Accounting Pronouncements Adopted:

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounting Pronouncements Adopted (Continued):

information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Foundation has adopted this ASU as of and for the year ended December 31, 2018.

RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year's presentation.

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 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 statements 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 cost/equity basis and fair value are summarized below as of December 31, 2018:

	Cost/Equity Basis	Fair Value
Cash Management Funds	$ 882,350	$ 882,530
Bond Mutual Funds	1,564,874	1,484,495
Common Stocks and Mutual Funds	7,678,390	13,555,406
Limited Partnerships	6,606,998	6,606,998
Offshore Hedge Funds	3,297,545	2,615,726
Total Investments	$ 20,030,157	$ 25,145,155

The Foundation's investments at cost/equity basis and fair value are summarized below as of December 31, 2017:

	Cost/Equity Basis	Fair Value
Cash Management Funds	$ 1,460,335	$ 1,460,335
Bond Mutual Funds	1,521,103	1,496,085
Common Stocks and Mutual Funds	6,615,209	16,064,305
Limited Partnerships	7,535,159	7,535,159
Offshore Hedge Funds	3,297,545	2,758,020
Total Investments	$ 20,429,351	$ 29,313,904

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.

FAIR VALUE OF INVESTMENTS (Continued):

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 are 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 unobservable inputs.

See the *Summary of Significant Accounting Policies* note 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, 2018 and 2017.

The valuation methods described in the *Summary of Significant Accounting Policies* note 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, 2018:

Description	Level 1	Level 2	Level 3	Total
Cash Management Funds		$ 882,530		$ 882,530
Bond Mutual Funds	$ 1,484,495			1,484,495
Common Stocks and Mutual Funds	13,555,406			13,555,406
Limited Partnerships			$ 6,606,998	6,606,998
Offshore Hedge Funds			2,615,726	2,615,726
Total	$ 15,039,901	$ 882,530	$ 9,222,724	$ 25,145,155

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, 2017:

Description	Level 1	Level 2	Level 3	Total
Cash Management Funds		$ 1,460,335		$ 1,460,335
Bond Mutual Funds	$ 1,496,085			1,496,085
Common Stocks and Mutual Funds	16,064,305			16,064,305
Limited Partnerships			$ 7,535,159	7,535,159
Offshore Hedge Funds			2,758,020	2,758,020
Total	$ 17,543,110	$ 1,460,335	$ 10,293,179	$ 29,313,904

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, 2018 and 2017:

	2018	2017
Balance, Beginning of Year	$ 7,535,159	$ 6,541,077
Investment Income (Loss), Net	(121,183)	1,351,096
Purchases, Issuances and Settlements, Net	(806,978)	(357,014)
Balance, End of Year	$ 6,606,998	$ 7,535,159
Portion of Investment Income (Loss), Net Relating to Those Assets Still Held	$ (121,183)	$ 1,352,585

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 $668,000 and $687,000 at December 31, 2018 and 2017 consisted of approved grant commitments. As of December 31, 2018, based on the specific grant agreements, amounts payable are expected to be paid in the following years:

2019	$ 504,000
2020	164,000
Total Grants Payable	$ 668,000

INVESTMENT RETURN

The following schedule summarizes the investment return for the years ended December 31, 2018 and 2017:

	2018	2017
Interest	$ 64,991	$ 40,220
Dividends	583,248	495,270
Realized Gains, Net	2,425,516	1,924,124
Unrealized Gains (Losses), Net	(5,264,777)	3,010,736
Other Income, Net	307,063	317,027
Investment Expenses	(364,001)	(366,840)
Investment Interest Expense	(882)	(44,397)
Investment Advisor Fees	(120,652)	(124,176)
Investment Income (Loss), Net	$ (2,369,494)	$ 5,251,964

RELATED PARTY TRANSACTIONS

During 2018 and 2017 the Foundation incurred expenses related to investment advisor, personnel and other services from Lorelei Partners, LLC, an affiliate of the trustees, in the amount of $389,739 and $401,645, respectively.

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 Statements of Financial Position.

COMMITMENT

As of December 31, 2018 and 2017, the Foundation was committed to future capital calls on its investments amounting to $348,929 and $216,431, respectively.

GRANT EXPENDITURES

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 grants to the Kohl Foundation. The grants to the Kohl Foundation for the years ended December 31, 2018 and December 31, 2017 amounted to $85 and $4,005, respectively. Any de minimis amounts remaining will be transferred upon certain hedge liquidations and other transactions. The remaining transfers, if any, do not have an agreed upon end date.

SUBSEQUENT EVENTS

The Foundation management has evaluated subsequent events through September 27, 2019, the date that financial statements were available for issue.