

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION

FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
John D. and Catherine T. MacArthur Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of John D. and Catherine T. MacArthur Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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 Foundation'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 Foundation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John D. and Catherine T. MacArthur Foundation as of December 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "CROWE HORWATH LLP". The letters are stylized and cursive.

Crowe Horwath LLP

Chicago, Illinois
June 18, 2013

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation

Statements of Financial Position

December 31, 2012 and 2011

	2012	2011
	(000's omitted)	
Assets		
Cash and cash equivalents	\$ 2,771	\$ 6,198
Investments	5,797,521	5,498,593
Program-related investments	141,664	147,191
Assets held for charitable use	29,920	30,603
Other assets	15,563	20,492
Total assets	\$ 5,987,439	\$ 5,703,077
Liabilities and net assets		
Grants payable	\$ 272,886	\$ 243,843
Other liabilities	46,981	42,364
Excise and income taxes	20,855	23,318
Total liabilities	340,722	309,525
Unrestricted net assets	5,646,717	5,393,552
Total liabilities and net assets	\$ 5,987,439	\$ 5,703,077

The accompanying notes are an integral part of the financial statements.

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation

Statements of Activities

For the years ended December 31, 2012 and 2011

	2012	2011
	(000's omitted)	
Investment income		
Interest, dividends and other income	\$ 38,975	\$ 24,474
Realized gain on investments	417,634	392,921
Total investment income	456,609	417,395
Investment expenses		
Administrative	13,184	11,097
Excise and income tax	10,435	2,308
Total investment expenses	23,619	13,405
Unrealized gain (loss) on investments	96,559	(177,149)
Net investment income	529,549	226,841
Operating expenses		
Grants authorized	236,557	204,517
Administrative	37,202	33,663
Post-retirement benefits	2,625	4,738
Total operating expenses	276,384	242,918
Change in unrestricted net assets	253,165	(16,077)
Unrestricted net assets, beginning of year	5,393,552	5,409,629
Unrestricted net assets, end of year	\$ 5,646,717	\$ 5,393,552

The accompanying notes are an integral part of the financial statements.

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012	2011
	(000's omitted)	
Cash flows from operating activities		
Change in unrestricted net assets	\$ 253,165	\$ (16,077)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Depreciation	2,981	2,454
Realized gain on investments	(417,634)	(392,921)
Unrealized (gain) loss on investments	(96,559)	177,149
Decrease (increase) in non-investment assets	8,786	(5,367)
Increase (decrease) in grants payable	29,043	(18,079)
Increase (decrease) in other liabilities	4,617	(4,483)
(Decrease) increase in excise and income taxes	(2,463)	4,446
Net cash used in operating activities	(218,064)	(252,878)
Cash flows from investment activities		
Proceeds from sale of investments	1,621,420	2,161,660
Purchase of investments	(1,406,783)	(1,906,293)
Net cash provided by investment activities	214,637	255,367
Net (decrease) increase in cash and cash equivalents	(3,427)	2,489
Cash and cash equivalents at beginning of year	6,198	3,709
Cash and cash equivalents at end of year	\$ 2,771	\$ 6,198

The accompanying notes are an integral part of the financial statements.

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

1. Organization

The John D. and Catherine T. MacArthur Foundation is a private, independent grantmaking foundation that supports creative people and effective institutions committed to building a more just, verdant, and peaceful world. The Foundation makes grants and program-related investments through four programs. International Programs focus on international issues, including human rights and international justice, peace and security, conservation and sustainable development, girls' secondary education in developing countries, migration, and population and reproductive health. U.S. Programs address issues in the United States, including community and economic development; housing, with a focus on the preservation of affordable rental housing; juvenile justice reform; policy research and analysis; and education, with a focus on digital media and learning. Media, Culture and Special Initiatives support public interest media, including public radio and documentary programming. Grants are also made to arts and cultural institutions in the Chicago area and for special initiatives. The MacArthur Fellows Program awards five-year, unrestricted fellowships to talented individuals who show extraordinary originality and dedication in their creative pursuits.

2. Summary of Significant Accounting Policies

The Foundation prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Foundation's significant accounting policies are as follows:

Cash and Cash Equivalents

Cash and cash equivalents held by the Foundation for use in its operations include temporary investments with original maturities of three months or less. Cash and cash equivalents used by the Foundation in managing its investments are reported in investments.

Investments

Investments are reported at fair value. Fair value is based on quoted market prices when available or quoted market prices of comparable instruments when prices are not available. For alternative investments in limited partnerships and other similar instruments, the fair value is based on valuations provided by external investment managers, including net asset values as of the most recent audited or interim financial statements. The net asset values provided by external managers are based on the underlying securities and investment holdings, which may be valued at quoted market prices, based on comparable instruments, at appraised value, or by discounted cash flows. The external managers' valuations are reviewed by Foundation management. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because some alternative investments are not readily marketable, their estimated value is subject to uncertainty.

Investment administrative expenses are included in investment expenses. In addition, investment management fees reported at \$17.7 million and \$18.8 million in 2012 and 2011, respectively, are netted against investment income.

John D. and Catherine T. MacArthur Foundation **Notes to Financial Statements**

December 31, 2012 and 2011

Program-related Investments

In accordance with Section 4944 of the Internal Revenue Code, the Foundation is permitted to make investments that are related to its philanthropic programs. These investments are in the form of loans and equities and are anticipated to have a less than market return. In the year of the investment, the Foundation receives a credit toward its distribution requirement. Return of principal of program-related investments increases the Foundation's distribution requirement in the year of receipt. These investments are generally recorded at cost net of appropriate reserves for collectability. Reserves are based on a review of borrowers' credit risks, including consideration of the financial strength of borrowers, the nature of the investments, payment history, and current economic conditions. The Foundation has reserved \$48.0 million and \$50.9 million as of December 31, 2012 and 2011, respectively. Investments written off as bad debt totaled \$2.9 million in 2012. Loans more than thirty days past due totaled \$3.1 million and \$3.6 million as of December 31, 2012 and 2011, respectively. The Foundation had open program-related investment commitments of \$18.5 million and \$17.5 million as of December 31, 2012 and 2011, respectively.

Assets Held for Charitable Purposes

The Foundation holds certain assets, primarily real estate, for charitable purposes. The Foundation receives a credit toward its distribution requirement equal to the fair value, as determined by appraisal, of the assets at the time they are put into charitable use.

Grants

Grant awards are expensed when approved. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. The Foundation discounted grants payable using an average rate of 0.5 percent and 0.6 percent as of December 31, 2012 and 2011, respectively.

Federal Taxes

The Foundation has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxes except for income from its unrelated business activities. Under Section 4940(a) of the Internal Revenue Code, a federal excise tax of 2 percent is imposed on the Foundation's net investment income and realized capital gains.

Deferred tax expense results from certain income and expense items, primarily unrealized gains or losses on investments, being accounted for in different time periods for financial statement purposes than for federal excise and income tax purposes. Appropriate provisions are made in the financial statements for deferred taxes in recognition of these timing differences.

Employee Retirement Plan

The Foundation sponsors a defined contribution retirement plan for its eligible employees. Plan participants are fully vested after one year of service. The Foundation is current with its contributions to the plan. Employer contributions to the plan totaled \$2.7 million and \$2.6 million in 2012 and 2011, respectively.

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

Post-retirement Benefits

The Foundation provides health care and life insurance benefits to certain of its retired employees and their eligible dependents. The Foundation has recorded a liability for post-retirement benefit obligation of \$37.7 million and \$35.0 million as of December 31, 2012 and 2011, respectively.

Estimates

The preparation of the Foundation's 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified, with no effect on net assets or change in net assets, to conform to the current year presentation.

3. Investments

The Foundation's investment objective is to provide a return on its investments sufficient to fund in perpetuity the grants, other qualifying distributions, and operating costs of the Foundation. Investments are made in accordance with an asset allocation policy with the objective of earning a 5 percent real return over time and preserving the portfolio corpus in real terms. Assets in the investment portfolio may include marketable debt and equity securities traded on public exchanges anywhere in the world; foreign currency investments; private debt and equity securities and partnerships; venture capital partnerships; commodities, including oil and gas assets; real estate; derivative instruments; and cash and cash equivalents. The investment portfolio is sufficiently diversified to minimize the concentration risk of any single security, class of securities, or asset class.

Investments at fair value as of December 31, 2012 and 2011, are as follows (000s omitted):

	2012	2011
Public Investments		
Equities	\$1,296,843	\$1,080,136
Fixed income	668,922	670,088
Marketable alternatives	645,839	558,709
Real estate	2,716	6,143
Cash and cash equivalents	322,732	134,784
Private Investments		
Equities	1,000,843	1,055,429
Fixed income	500,751	494,725
Real estate	721,489	790,134
Energy and commodities	637,386	708,445
Total investments	\$5,797,521	\$5,498,593

John D. and Catherine T. MacArthur Foundation **Notes to Financial Statements**

December 31, 2012 and 2011

Public investments include cash and cash equivalents, marketable equity and fixed income securities that are regularly traded on public exchanges, and public securities held by funds structured either as corporations in which the Foundation owns stock or as partnerships in which the Foundation is a limited partner. Private investments include equity and fixed income investments that are not regularly traded and private securities held by corporations in which the Foundation owns stock or held by partnerships in which the Foundation is a limited partner.

The Foundation's exposure in limited partnership investments and certain corporate equity investments, which totaled \$4,215.8 million and \$4,031.7 million as of December 31, 2012 and 2011, respectively, is limited to its partnership or equity investments in these entities.

In addition to the cash and cash equivalents held by the Foundation for investment, the Foundation's investment managers held cash totaling \$307.0 million and \$254.8 million as of December 31, 2012 and 2011, respectively, in the course of implementing their investment strategies. Cash held for investment by those managers totaled \$35.6 million and \$34.8 million as of December 31, 2012 and 2011, respectively. Cash held at the direction of the Foundation associated with derivative strategies totaled \$239.6 million and \$201.8 million as of December 31, 2012 and 2011, respectively. Cash held as required margin for outstanding securities trades totaled \$31.8 million and \$18.2 million as of December 31, 2012 and 2011, respectively.

The Foundation had pending trade purchases of \$65.1 million and \$803,300 as of December 31, 2012 and 2011, respectively. The Foundation had pending sales of \$26.6 million and \$13.4 million as of December 31, 2012 and 2011, respectively. These amounts are included in investments.

Through a securities lending program, managed by its investment custodian, the Foundation loaned certain marketable securities included in its investment portfolio. The custodian's loan agreements required the borrowers to maintain collateral equal to 102 percent or 105 percent of the fair value of the securities loaned. This collateral was in the form of cash, U.S. Treasury Bills, or guaranteed letters of credit and was revalued on a daily basis. The Foundation exited this securities lending program as of January 21, 2011.

Through a repurchase agreement program managed by a third-party investment manager, the Foundation loans cash included in its investment portfolio overnight and the agreements mature the following day. Borrowers were required to maintain collateral, held at a third party custodian, equal to 102 percent of the loan, with collateral in the form of U.S. Treasury obligations. The average cash loaned overnight was \$200.0 million and \$170.0 million for 2012 and 2011, respectively. No loans were outstanding as of December 31, 2012 and 2011.

Derivative Instruments

The Foundation's investment strategy utilizes financial instruments that involve, to varying degrees, elements of market risk, credit risk, currency risk, and counterparty risk. These instruments are held in separately managed accounts, limited partnerships, and other fund structures. Financial instruments include securities sold but not yet purchased and derivative contracts including forward currency contracts, futures, options, and swaps. All of the Foundation's derivative positions are marked to fair value as a component of investment income. The fair value of these instruments is included in investments.

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

In the opinion of the Foundation's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed. Using these instruments may reduce certain investment risks and add value to the portfolio.

The Foundation enters into forward currency contracts, futures, options, and swaps for tactical investment and hedging purposes. Currency forward contracts and options may be used to hedge non-U.S. dollar exposure in foreign investments or to take positions in managed currency portfolios. Futures and swap contracts may be used to rebalance asset categories within the portfolio or to manage market exposures in portfolios. Futures, options, and swaps may be used to hedge or leverage positions within certain risk parameters.

The net notional and fair values of forward contracts, futures, options, and swaps as of December 31, 2012 and 2011, are as follows (000s omitted):

	2012		2011	
	Net notional value	Fair value	Net notional value	Fair value
Forward contracts	\$ 75,049	\$ (493)	\$ (140,737)	\$ (4,854)
Futures	887,344	-	90,539	-
Options	16,669	648	336,340	3,352
Swaps	1,597,196	11,078	1,854,348	(8,709)
Total	<u>\$ 2,576,258</u>	<u>\$ 11,233</u>	<u>\$ 2,140,490</u>	<u>\$ (10,211)</u>

The Foundation is a seller of certain credit default swap contracts, which are included in the net notional value and fair value of swaps. These contracts provide the Foundation exposure to, or hedge against, a diversified portfolio of credit risks through a liquid, transparent, and standardized basket of securities. The reference obligations under the Foundation's credit default swap contracts are composed of baskets of securities sharing similar characteristics. The individual baskets to which the Foundation has exposure under separate contracts are high-yield securities and emerging markets debt. The number of individual, underlying securities referenced in each of the contracts range from 15 to 100. The Foundation is required to make payments that are proportionate to the overall notional exposure as credit events occur for individual securities in the referenced baskets. The notional value of these investments reflects the maximum amount of future payments (undiscounted) that the Foundation could be required to make should each individual security in the referenced basket experience a credit event.

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

The following table sets forth the notional value, fair value and maturity dates of credit default swap contracts as of December 31, 2012 and 2011, respectively (000s omitted).

	2012		2011	
	High-yield	Emerging markets	High-yield	Emerging markets
Net notional value	\$ 104,000	\$ 25,000	\$ 49,000	\$ -
Fair value	3,340	3,414	(1,083)	-
Maturity date range	through 2017	through 2017	through 2015	n/a

Fair Value

The fair value of investments is reported using a 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of inputs within the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. This includes securities that are infrequently traded, derivatives, and mortgage backed securities.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. This includes securities that are not actively traded on an established exchange, swaps, and partnership and direct investments.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation has certain investments categorized as level 3 where the inputs are not readily observable but the underlying assets are public investments.

The following tables set forth by level, within the fair value hierarchy, investment assets at fair value as of December 31, 2012 and 2011 (000s omitted). The unfunded commitments, which are not included in investments, represent contractual obligations for future investments.

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

Investment Assets as of December 31, 2012

	Investment Assets by Level				Unfunded
	Level 1	Level 2	Level 3	Total	Commitments
Public investments					
Equities	\$ 327,892	\$ 279,703	\$ 689,248	1,296,843	\$ -
Fixed income	427,991	145,745	95,186	668,922	-
Marketable alternatives	395	8,125	637,319	645,839	-
Real estate	2,716	-	-	2,716	-
Cash and cash equivalents	322,732	-	-	322,732	-
Private investments					
Equities	-	-	1,000,843	1,000,843	227,366
Fixed income	1,345	91,674	407,732	500,751	97,228
Real estate	-	16	721,473	721,489	154,616
Energy and commodities	53,564	59,029	524,793	637,386	116,018
Total	\$1,136,635	\$ 584,292	\$ 4,076,594	\$ 5,797,521	\$ 595,228

Investment Assets as of December 31, 2011

	Investment Assets by Level				Unfunded
	Level 1	Level 2	Level 3	Total	Commitments
Public investments					
Equities	\$ 223,267	\$ 368,944	\$ 487,925	\$ 1,080,136	\$ -
Fixed income	380,090	193,514	96,484	670,088	-
Marketable alternatives	8,080	22,707	527,922	558,709	-
Real estate	3,404	-	2,739	6,143	-
Cash and cash equivalents	134,784	-	-	134,784	-
Private investments					
Equities	-	-	1,055,429	1,055,429	255,700
Fixed income	1,191	78,362	415,172	494,725	76,818
Real estate	-	19	790,115	790,134	186,150
Energy and commodities	27,178	148,191	533,076	708,445	73,686
Total	\$ 777,994	\$ 811,737	\$ 3,908,862	\$ 5,498,593	\$ 592,354

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

The following table sets forth by level, within the fair value hierarchy, transfers of investments at fair value as of December 31, 2011 (000s omitted). Transfers between levels are recognized as of the end of the reporting period. The transfers in the table below are primarily the result of changes in the level of trading activity associated with the underlying investments. There were no transfers in 2012.

Transfers as of December 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Transfers in	\$ -	\$ 2,940	\$ 24,780	\$ 27,720
Transfers out	-	(24,780)	(2,940)	(27,720)
Total	\$ -	\$ (21,840)	\$ 21,840	\$ -

The following tables are a roll forward of those investment assets classified as Level 3 as of December 31, 2012 and 2011 (000s omitted):

Roll Forward of Level 3 Investment Assets for the year ended December 31, 2012

	<u>Public Investments</u>				<u>Private Investments</u>				<u>Total</u>
	<u>Equities</u>	<u>Fixed Income</u>	<u>Marketable Alternatives</u>	<u>Real Estate</u>	<u>Equities</u>	<u>Fixed Income</u>	<u>Real Estate</u>	<u>Energy and Commodities</u>	
Beginning Balance 1/1/2012	\$ 487,925	\$ 96,484	\$ 527,922	\$ 2,739	\$ 1,055,429	\$ 415,172	\$ 790,115	\$ 533,076	\$ 3,908,862
Transfers in	-	-	-	-	-	-	-	-	-
Contributions	240,000	128,590	155,000	-	76,146	37,564	67,187	50,208	754,695
Distributions	(133,382)	(118,216)	(76,592)	(2,739)	(207,273)	(89,292)	(173,891)	(73,199)	(874,584)
Income	-	-	819	-	8,651	4,377	40,790	12,483	67,120
Realized gain (loss)	(1,111)	(2,283)	23,443	-	115,642	26,628	37,798	24,941	225,058
Unrealized gain (loss)	95,816	(9,389)	6,727	-	(47,752)	13,283	(40,526)	(22,716)	(4,557)
Transfers out	-	-	-	-	-	-	-	-	-
Ending balance 12/31/2012	\$ 689,248	\$ 95,186	\$ 637,319	\$ -	\$ 1,000,843	\$ 407,732	\$ 721,473	\$ 524,793	\$ 4,076,594

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

Roll Forward of Level 3 Investment Assets for the year ended December 31, 2011

	Public Investments				Private Investments				Total
	Equities	Fixed Income	Marketable Alternatives	Real Estate	Equities	Fixed Income	Real Estate	Energy and Commodities	
Beginning Balance 1/1/2011	\$ 594,284	\$ 75,845	\$ 579,869	\$ 2,492	\$ 1,101,446	\$ 452,568	\$ 788,863	\$ 439,671	\$ 4,035,038
Transfers in	24,780	-	-	-	-	-	-	-	24,780
Contributions	75,054	7,282	-	-	106,339	75,777	72,797	33,696	370,945
Distributions	(97,865)	-	(48,872)	-	(205,748)	(118,440)	(77,118)	(76,494)	(624,537)
Income (loss)	3,964	-	(1,934)	-	130,284	35,840	19,513	44,100	231,767
Realized gain (loss)	13,268	(13)	20,045	-	127	5,760	386	-	39,573
Unrealized gain (loss)	(125,560)	13,370	(21,186)	247	(77,019)	(33,393)	(14,326)	92,103	(165,764)
Transfers out	-	-	-	-	-	(2,940)	-	-	(2,940)
Ending balance 12/31/2011	\$ 487,925	\$ 96,484	\$ 527,922	\$ 2,739	\$ 1,055,429	\$ 415,172	\$ 790,115	\$ 533,076	\$ 3,908,862

The following tables set forth investment assets by the amount of time, including notice period and redemption period, in which the Foundation has the legal right to receive redemptions of its investments as of December 31, 2012 and 2011 (000s omitted). For investment assets with a redemption period greater than 365 days, the Foundation's capital is expected to be liquidated over a weighted average period of 3.9 years, ranging from 1 to 10 years, as of December 31, 2012, and over a weighted average period of 3.9 years, ranging from 1 to 11 years, as of December 31, 2011. The Foundation has certain investments classified as level 3 where the Foundation has the right to give notice and exit the investments if the investments have sufficient liquidity available. These investments are categorized with a redemption period of 90 days or less.

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

Investment Assets by Redemption Periods as of December 31, 2012

	90 Days or Less	91 to 365 Days	>365 Days	Total
Public investments				
Equities	\$ 997,426	\$ 157,773	\$ 141,644	\$ 1,296,843
Fixed income	668,922	-	-	668,922
Marketable alternatives	222,587	196,565	226,687	645,839
Real estate	2,716	-	-	2,716
Cash and cash equivalents	322,732	-	-	322,732
Private investments				
Equities	12,122	7,735	980,986	1,000,843
Fixed income	36,164	112,654	351,933	500,751
Real estate	5,288	4,022	712,179	721,489
Energy and commodities	108,856	3,493	525,037	637,386
Total	\$ 2,376,813	\$ 482,242	\$ 2,938,466	\$ 5,797,521

Investment Assets by Redemption Periods as of December 31, 2011

	90 Days or Less	91 to 365 Days	>365 Days	Total
Public investments				
Equities	\$ 870,650	\$ 79,065	\$ 130,421	\$ 1,080,136
Fixed income	670,088	-	-	670,088
Marketable alternatives	224,959	125,415	208,335	558,709
Real estate	3,404	-	2,739	6,143
Cash and cash equivalents	134,784	-	-	134,784
Private investments				
Equities	23,086	-	1,032,343	1,055,429
Fixed income	27,978	94,664	372,083	494,725
Real estate	36,055	-	754,079	790,134
Energy and commodities	250,254	4,717	453,474	708,445
Total	\$ 2,241,258	\$ 303,861	\$ 2,953,474	\$ 5,498,593

John D. and Catherine T. MacArthur Foundation Notes to Financial Statements

December 31, 2012 and 2011

4. Excise and Income Taxes

Excise and income taxes provided for in the financial statements for the years ended December 31, 2012 and 2011, include the following components (000s omitted):

	2012	2011
Federal excise taxes:		
Current	\$ 9,072	\$ 3,469
Deferred taxes included in unrealized appreciation	1,971	(184)
Total federal excise taxes	11,043	3,285
Federal and state income taxes:		
Current	1,363	(1,161)
Total excise and income taxes	\$ 12,406	\$ 2,124

5. Commitments and Contingencies

Guarantees

The Foundation enters into guarantees to support its grant making programs. Total outstanding guarantees were \$17.5 million and \$20.4 million as of December 31, 2012 and 2011, respectively. Guarantees approved but not yet closed totaled \$7.3 million as of December 31, 2012 and 2011. The Foundation records a liability if it is likely a guarantee will be called and the expected amount to be called can be estimated. These liabilities totaled \$3.5 million and \$2.9 million as of December 31, 2012 and 2011, respectively.

Line of Credit

The Foundation has a \$250 million unsecured committed line of credit carrying an interest rate of either LIBOR plus 60 basis points or Prime. The Foundation has no notes outstanding as of December 31, 2012 and 2011.

Legal Actions

The Foundation is involved in several legal actions. The Foundation believes it has defenses for these claims, believes the claims are substantially without merit and is vigorously defending the actions. In the opinion of management, based on advice of legal counsel, the final disposition of these matters is not expected to have a material effect on the Foundation's financial statements.

6. Subsequent Events

Management has determined that no material events or transactions, which require adjustments or additional disclosures in the Foundation's financial statements, occurred subsequent to December 31, 2012, and through June 18, 2013, the date the Foundation's financial statements were available to be issued.