JOHN D. AND CATHERINE T. MACARTHUR FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

Crowe Horwath LLP
Independent Member Crowe Horwath International

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 consolidated financial statements of John D. and Catherine T. MacArthur Foundation (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2017 and 2016, 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 States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities and consolidating statement of cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
June 13, 2018

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation
Consolidated Statements of Financial Position

December 31, 2017 and 2016

		2017		2016
		(000's omitted)		
Assets				
Cash and cash equivalents	$	20,434	$	6,449
Investments		6,806,223		6,116,212
Program-related investments		132,076		139,615
Assets held for charitable use		28,607		22,580
Other assets		12,427		10,346
Total assets	**$**	**6,999,767**	**$**	**6,295,202**
Liabilities and net assets				
Grants payable	$	534,187	$	311,991
Other liabilities		104,305		70,135
Excise and income taxes		22,045		10,571
Total liabilities		**660,537**		**392,697**
Unrestricted net assets		6,339,230		5,902,505
Total liabilities and net assets	**$**	**6,999,767**	**$**	**6,295,202**

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

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation
Consolidated Statements of Activities

For the years ended December 31, 2017 and 2016

		2017		2016
		(000's omitted)		
Investment income				
Interest, dividends and other income	$	26,588	$	22,684
Realized gain on investments		689,709		280,435
Total investment income		**716,297**		**303,119**
Investment expenses				
Administrative		16,328		14,581
Excise and income tax		3,938		3,556
Total investment expenses		**20,266**		**18,137**
Unrealized gain on investments		**271,818**		**117,882**
Net investment income		**967,849**		**402,864**
Operating expenses				
Grants authorized		470,710		251,416
Administrative		52,420		46,636
Post-retirement benefits		7,994		7,055
Total operating expenses		**531,124**		**305,107**
Change in unrestricted net assets		**436,725**		**97,757**
Unrestricted net assets, beginning of year		**5,902,505**		**5,804,748**
Unrestricted net assets, end of year	**$**	**6,339,230**	**$**	**5,902,505**

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

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation
Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	2017	2016
	(000's omitted)	
Cash flows from operating activities		
Change in unrestricted net assets	$ 436,725	$ 97,757
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Depreciation	1,735	1,511
Amortization of deferred financing costs	27	14
Realized gain on investments	(689,709)	(280,435)
Unrealized gain on investments	(271,818)	(117,882)
Increase in non-investment assets	(2,331)	(4,294)
Increase (decrease) in grants payable	222,196	(13,787)
Increase in other liabilities	14,182	8,491
Increase in excise and income taxes	11,474	3,164
Net cash used in operating activities	**(277,519)**	**(305,461)**
Cash flows from investment activities		
Proceeds from sale of investments	2,434,693	3,582,857
Purchase of investments	(2,163,177)	(3,278,044)
Net cash provided by investment activities	**271,516**	**304,813**
Cash flows from financing activities		
Proceeds from notes payable	19,988	2,896
Net cash provided by financing activities	**19,988**	**2,896**
Net increase in cash and cash equivalents	**13,985**	**2,248**
Cash and cash equivalents at beginning of year	**6,449**	**4,201**
Cash and cash equivalents at end of year	**$ 20,434**	**$ 6,449**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 301	$ 7
Non-cash financing activity		
Financing fees paid through note payable	$ -	$ 400

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

MacArthur Foundation

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

December 31, 2017 and 2016

1. Organization

John D. and Catherine T. MacArthur Foundation ("MacArthur") is a private, independent grantmaking foundation that supports creative people, effective institutions, and influential networks building a more just, verdant, and peaceful world. MacArthur is placing a few big bets that truly significant progress is possible on some of the world's most pressing social challenges, including over-incarceration, global climate change, nuclear risk, and significantly increasing financial capital for the social sector. In addition to the MacArthur Fellows Program, MacArthur continues its historic commitments to the role of journalism in a responsible and responsive democracy, as well as the strength and vitality of our headquarters city, Chicago. MacArthur is one of the nation's largest independent foundations. Organizations supported by the Foundation work in about 50 countries. In addition to Chicago, MacArthur has offices in India, Mexico, and Nigeria.

Arc Chicago, LLC ("Arc") is a limited liability company organized under the laws of the State of Delaware. Arc was formed on April 20, 2016, and MacArthur is its sole member. Arc provides loans and other investments to eligible nonprofits and social enterprises that help meet significant community needs in the Chicago region, such as education and child care, access to healthy food, quality affordable housing, energy conservation, job training, and more.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of MacArthur and Arc (collectively referred to as the "Foundation"). All significant intercompany transactions between these entities have been eliminated from the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

The Foundation prepares its financial statements 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 MacArthur 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 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 MacArthur management. MacArthur believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because some investments are not readily marketable, their estimated value is subject to uncertainty.

Investment administrative expenses are included in investment expenses. Total investment management fees are netted against investment income, including reported management fees of $14.0 million and $14.8 million in 2017 and 2016, respectively.

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.

Outstanding program-related investments totaled $153.8 million and $167.3 million as of December 31, 2017 and 2016, respectively. 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 $21.7 million and $27.7 million as of December 31, 2017 and 2016, respectively. Investments written off as bad debt totaled $1.5 million in 2017 and $3.1 million in 2016. Loans more than 30 days past due totaled $1.0 million as of December 31, 2017, and $660,000 as of December 31, 2016. The Foundation had open program-related investment commitments of $29.6 million and $20.0 million as of December 31, 2017 and 2016, respectively.

Assets Held for Charitable Purposes

MacArthur holds certain assets, primarily real estate, for charitable purposes. MacArthur 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. MacArthur discounted grants payable using an average rate of 2.09 percent and 1.86 percent as of December 31, 2017 and 2016, respectively.

Federal Taxes

MacArthur 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 MacArthur's net investment income and realized capital gains. MacArthur qualified under Section 4940(e) of the Internal Revenue Code for a reduced tax rate of 1 percent in 2016.

Deferred tax expense or benefit 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.

Due to its pass-through status, Arc is not subject to U.S. federal income tax or state income tax.

Employee Retirement Plan

MacArthur sponsors a defined contribution retirement plan for its eligible employees. Plan participants are fully vested after one year of service. MacArthur is current with its contributions to the plan. Employer contributions to the plan totaled $3.2 million and $3.1 million in 2017 and 2016, respectively.

Post-retirement Benefits

MacArthur provides health care and life insurance benefits to certain retired employees and their eligible dependents. MacArthur has recorded a liability for post-retirement benefit obligation of $61.7 million and $53.3 million as of December 31, 2017 and 2016, 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 changes in net assets, to conform to the current year presentation.

3. Investments

MacArthur's investment objective is to provide a return on its investments sufficient to fund in perpetuity the grants, operating costs, and other qualifying distributions of MacArthur. 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 diversified to minimize the concentration risk of any single security, class of securities, or asset class.

Investments at fair value as of December 31, 2017 and 2016, are as follows (000's omitted):

	2017	2016
Cash and cash equivalents	$565,841	$668,609
Public equities	83,885	179,822
Public fixed income	727,532	343,865
Private equity	942,754	873,126
Private debt	378,030	356,975
Private real estate	317,086	294,906
Natural resources	365,282	360,394
Hedge funds:		
Equity oriented	2,000,895	1,657,446
Fixed income oriented	792,685	749,669
Global macro	444,305	485,995
Other strategies	187,928	145,405
Total Investments	**$6,806,223**	**$6,116,212**

Cash and cash equivalents include cash held for investments of $104.2 million and $337.2 million and cash held by MacArthur's custodian totaling $461.6 million and $331.4 million as of December 31, 2017 and 2016, respectively. Cash held by the custodian is at the direction of MacArthur and used to implement MacArthur's investment strategies. Cash held at the direction of MacArthur associated with derivative strategies totaled $422.7 million and $305.9 million as of December 31, 2017 and 2016, respectively. Cash held as required margin for outstanding securities trades totaled $11.5 million and $14.5 million as of December 31, 2017 and 2016, respectively. Cash held for other investments totaled $27.4 million and $11.0 million as of December 31, 2017 and 2016, respectively. The amount of cash held on the reporting dates is a function of the timing of executing the investment strategies.

Public investments include transactions associated with 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 MacArthur owns stock or as partnerships in which MacArthur 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 MacArthur owns stock or held by partnerships in which MacArthur is a limited partner. Hedge funds include investments with managers who have the authority to invest in various asset classes at their discretion including the ability to invest long and short.

MacArthur had pending trade purchases of $166.7 million and $6.8 million as of December 31, 2017 and 2016, respectively. MacArthur had pending sales of $20.0 million and $121.7 million as of December 31, 2017 and 2016, respectively. These amounts are included in investments.

Derivative Instruments

MacArthur'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 MacArthur's derivative positions are marked to fair value as a component of investment income. The fair value of these instruments is included in investments.

In the opinion of MacArthur'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.

MacArthur 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 or take positions in non-U.S. dollar exposure. 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, 2017 and 2016, are as follows (000's omitted):

	2017		**2016**	
	Net Notional Value	**Fair Value**	**Net Notional Value**	**Fair Value**
Forward contracts	$ 231,007	$ (6,090)	$ 239,159	$ 1,662
Futures	532,193	-	510,704	-
Swaps	2,861,535	58,900	2,460,680	93,519
Total	**$ 3,624,735**	**$ 52,810**	**$ 3,210,543**	**$ 95,181**

MacArthur 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 MacArthur exposure to, or hedge against, a diversified portfolio of credit risks through a liquid, transparent, and standardized basket of securities. The referenced obligations under MacArthur's credit default swap contracts are composed of baskets of securities sharing similar characteristics. The individual baskets to which MacArthur has exposure under separate contracts are high-yield securities and investment grade debt. The number of individual, underlying securities referenced in each of the contracts range from 100 to 125. MacArthur 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 MacArthur could be required to make should each individual security in the referenced basket experience a credit event.

The following table sets forth the notional value, fair value and maturity dates of credit default swap contracts as of December 31, 2017 and 2016, respectively (000's omitted):

	2017		2016	
	High-yield	**Investment Grade**	**High-yield**	**Investment Grade**
Net notional value	$ 301,000	$ 245,000	$ 276,000	$ 198,000
Fair value	25,348	5,906	17,492	3,056
Maturity date range	through 2022	through 2022	through 2021	through 2021

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. Inputs include recent transaction prices for similar assets, secondary market transaction prices for MacArthur interests in limited partnerships, independent appraisals, and private indices.

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. MacArthur has certain investments categorized as Level 3 where the inputs are not readily observable but the underlying assets are public investments.

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

December 31, 2017 and 2016

The following tables set forth by level, within the fair value hierarchy, investment assets at fair value as of December 31, 2017 and 2016 (000's omitted). Investments using Net Asset Value (NAV) per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as "Other" in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the Consolidated Statements of Financial Position. The unfunded commitments, which are not included in investments, represent contractual obligations for future investments.

Investment Assets as of December 31, 2017

	Investment Assets by Level					Unfunded
	Level 1	**Level 2**	**Level 3**	**Other**	**Total**	**Commitments**
Cash and cash equivalents	$565,841	$ -	$ -	$ -	$ 565,841	$ -
Public equities	11,119	27,316	1,125	44,325	83,885	-
Public fixed income	-	727,516	16	-	727,532	-
Private equity	-	-	-	942,754	942,754	424,709
Private debt	-	-	1,431	376,599	378,030	370,565
Private real estate	-	-	30,524	286,562	317,086	135,885
Natural resources	-	-	43,378	321,904	365,282	147,905
Hedge funds:						
Equity oriented	-	-	-	2,000,895	2,000,895	-
Fixed income oriented	-	-	-	792,685	792,685	-
Global macro	-	-	-	444,305	444,305	-
Other strategies	-	-	-	187,928	187,928	-
Total	**$576,960**	**$ 754,832**	**$ 76,474**	**$5,397,957**	**$ 6,806,223**	**$ 1,079,064**

Investment Assets as of December 31, 2016

	Investment Assets by Level					Unfunded
	Level 1	**Level 2**	**Level 3**	**Other**	**Total**	**Commitments**
Cash and cash equivalents	$668,609	$ -	$ -	$ -	$ 668,609	$ -
Public equities	18,321	72,673	302	88,526	179,822	-
Public fixed income	7	343,842	16	-	343,865	-
Private equity	-	-	-	873,126	873,126	372,917
Private debt	-	-	1,232	355,743	356,975	190,360
Private real estate	-	-	31,746	263,160	294,906	162,785
Natural resources	-	-	54,682	305,712	360,394	122,387
Hedge funds:						
Equity oriented	-	-	-	1,657,446	1,657,446	-
Fixed income oriented	-	-	-	749,669	749,669	-
Global macro	-	-	-	485,995	485,995	-
Other strategies	-	-	-	145,405	145,405	-
Total	**$686,937**	**$ 416,515**	**$ 87,978**	**$4,924,782**	**$6,116,212**	**$ 848,449**

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

December 31, 2017 and 2016

The following tables are a roll forward of those investment assets classified as Level 3 as of December 31, 2017 and 2016 (000's omitted):

Roll Forward of Level 3 Investment Assets for the year ended December 31, 2017

	Public Equities	Public Fixed Income	Private Debt	Private Real Estate	Natural Resources	Hedge Fund: Equity Oriented	Total
Beginning Balance 1/1/2017	**$ 302**	**$ 16**	**$ 1,232**	**$ 31,746**	**$ 54,682**	**$ -**	**$ 87,978**
Transfers in	-	-	-	-	-	-	-
Contributions	-	-	-	2,172	287	-	2,459
Distributions	(96)	-	-	(1,111)	(210)	(51)	(1,468)
Realized gain (loss)	(7,002)	-	-	(2,444)	(4,619)	(32,215)	(46,280)
Unrealized gain (loss)	7,921	-	199	161	(6,762)	32,266	33,785
Transfers out	-	-	-	-	-	-	-
Ending Balance 12/31/2017	**$ 1,125**	**$ 16**	**$ 1,431**	**$ 30,524**	**$ 43,378**	**$ -**	**$ 76,474**

Roll Forward of Level 3 Investment Assets for the year ended December 31, 2016

	Public Equities	Public Fixed Income	Private Debt	Private Real Estate	Natural Resources	Hedge Fund: Equity Oriented	Total
Beginning Balance 1/1/2016	**$ 1,399**	**$ 13**	**$ 987**	**$ 41,143**	**$ 72,917**	**$ 342**	**$ 116,801**
Transfers in	-	-	-	-	-	-	-
Contributions	-	-	-	1,535	-	-	1,535
Distributions	(874)	-	-	(11,585)	(253)	(342)	(13,054)
Realized gain (loss)	(86)	-	-	(2,413)	(530)	-	(3,029)
Unrealized gain (loss)	(137)	3	245	3,066	(17,452)	-	(14,275)
Transfers out	-	-	-	-	-	-	-
Ending Balance 12/31/2016	**$ 302**	**$ 16**	**$ 1,232**	**$ 31,746**	**$ 54,682**	**$ -**	**$ 87,978**

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, 2017 and 2016 (000's omitted). For investment assets with a redemption period greater than 365 days, MacArthur's capital is expected to be liquidated over a weighted average period of 3.8 years, ranging from 1 to 12 years, as of December 31, 2017, and over a weighted average period of 3.5 years, ranging from 1 to 13 years, as of December 31, 2016. MacArthur has certain investments classified as Level 3 where it 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.

Investment Assets by Redemption Periods as of December 31, 2017

	90 Days or Less	91 to 365 Days	>365 Days	Total
Cash and cash equivalents	$ 565,841	$ -	$ -	$ 565,841
Public equities	83,885	-	-	83,885
Public fixed income	727,532	-	-	727,532
Private equity	-	-	942,754	942,754
Private debt	-	-	378,030	378,030
Private real estate	-	-	317,086	317,086
Natural resources	-	-	365,282	365,282
Hedge funds:				
Equity oriented	610,008	1,301,972	88,915	2,000,895
Fixed income oriented	280,182	408,470	104,033	792,685
Global macro	258,065	186,240	-	444,305
Other strategies	-	80,019	107,909	187,928
Total	**$ 2,525,513**	**$ 1,976,701**	**$ 2,304,009**	**$ 6,806,223**

Investment Assets by Redemption Periods as of December 31, 2016

	90 Days or Less	91 to 365 Days	>365 Days	Total
Cash and cash equivalents	$ 668,609	$ -	$ -	$ 668,609
Public equities	179,822	-	-	179,822
Public fixed income	343,865	-	-	343,865
Private equity	-	-	873,126	873,126
Private debt	-	-	356,975	356,975
Private real estate	-	-	294,906	294,906
Natural resources	-	-	360,394	360,394
Hedge funds:				
Equity oriented	441,906	1,055,810	159,730	1,657,446
Fixed income oriented	236,590	388,654	124,425	749,669
Global macro	307,426	178,569	-	485,995
Other strategies	-	62,067	83,338	145,405
Total	**$ 2,178,218**	**$ 1,685,100**	**$ 2,252,894**	**$ 6,116,212**

4. Excise and Income Taxes

Excise and income taxes in the financial statements for the years ended December 31, 2017 and 2016, include the following components (000's omitted):

	2017	2016
Federal excise taxes:		
Current	$ 4,032	$ 2,656
Deferred taxes included in unrealized appreciation	5,547	2,406
Total federal excise taxes	**$ 9,579**	**$ 5,062**
Federal and state income taxes:		
Current	(94)	900
Total excise and income taxes	**$ 9,485**	**$ 5,962**

5. Post-retirement Benefits

MacArthur provides health care and life insurance benefits to eligible retired employees and their eligible dependents.

The following table presents the plan's funded status reconciled with amounts recognized in MacArthur's Statements of Financial Position at December 31, 2017 and 2016 (000's omitted):

	2017	2016
Accumulated post-retirement health care benefit obligation:		
Active participants immediately eligible for benefits	$ 15,425	$ 12,952
Active participants not immediately eligible for benefits	13,274	10,624
Inactive participants	33,017	29,715
Accumulated post-retirement health care benefit obligation	**$ 61,716**	**$ 53,291**
Fair value of plan assets	-	-
Accumulated post-retirement health care benefit obligation in excess of plan assets	**$ 61,716**	**$ 53,291**

Net periodic post-retirement health care benefit costs for the years ended December 31, 2017 and 2016 include the following components (000's omitted):

	2017	2016
Service cost of benefits earned	$ 1,188	$ 1,554
Interest cost on accumulated post-retirement health care benefit obligation	2,198	1,923
Post-retirement health care benefit actuarial loss	1,022	693
Net periodic benefit cost	**$ 4,408**	**$ 4,170**

Future expected health care payments are as follows (000's omitted):

2018	$	1,895
2019	$	1,981
2020	$	2,059
2021	$	2,144
2022	$	2,243
2023-2027	$	12,659

The following table presents the status of the plan reconciled with the amounts reported in MacArthur's Statements of Financial Position and Statements of Activities and Changes in Net Assets as of and for the years ended December 31, 2017 and 2016 (000's omitted):

	2017	2016
Accumulated benefit obligation, beginning of year	$ 53,291	$ 46,137
Service cost of benefits earned	1,188	1,554
Interest cost on obligation	2,198	1,923
Actuarial loss	6,607	5,341
Less: Net employer benefits paid	1,568	1,664
Accumulated benefit obligation	**$ 61,716**	**$ 53,291**

Information about assumptions as of December 31, 2017 and 2016 is as follows:

	2017	2016
Weighted average assumptions:		
Discount rate (benefit obligations)	3.60%	4.10%
Discount rate (net periodic costs)	4.10%	4.10%
Expected return on plan assets	N/A	N/A
Health care cost trend rate assumptions:		
Trend rate for the next year	5.50%	5.30%
Ultimate trend rate	3.76%	3.86%
Year ultimate trend rate is reached	2040	2040

6. Commitments and Contingencies

Guarantees

MacArthur enters into guarantees to advance its program goals. Total outstanding guarantees were $58.5 million and $51.3 million as of December 31, 2017 and 2016, respectively. MacArthur records a liability if it is more likely than not a guarantee will be called and the expected amount to be called can be estimated. These liabilities totaled $5.5 million and $5.7 million as of December 31, 2017 and 2016, respectively.

Line of Credit

MacArthur has a $250 million unsecured committed line of credit carrying an interest rate of either LIBOR plus 45 basis points or Prime. MacArthur has no notes outstanding under this line of credit agreement as of December 31, 2017 and 2016.

On June 17, 2016, Arc established a line of credit (the “facility”) with Calvert Social Investment Foundation, Inc. (“Lender”). On the same day, Arc entered into a promissory note with Lender, wherein Arc promises to repay any principal amount due, up to the maximum amount of $50 million, to Lender on June 17, 2031. As of December 31, 2017 and 2016, a total of $23.3 million and $3.3 million, respectively, was drawn on the facility.

As a registered investment adviser, Lender is selling up to $50 million in Chicago-based Community Investment Notes (“CINs”) to investors who wish to participate indirectly in the mission and impact investments of Arc. Lender will set certain borrowing thresholds for Arc based on the outstanding balances of targeted Chicago CINs purchased (“TCCPs”) by investors and Arc must make quarterly draw requests equal to the borrowing threshold. Each draw matures quarterly, and upon maturity, each draw is required to be rolled over for at least the “Minimum Balance” which represents the amount Lender has in outstanding balances on TCCPs at that time.

As of December 31, 2017, Arc was in compliance with all debt covenants or has received waivers with respect to any non-compliance thereof.

Legal Actions

MacArthur is involved in several legal actions. MacArthur 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 MacArthur’s financial statements.

7. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2017, to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended December 31, 2017. Subsequent to December 31, 2017, Arc made additional draws of $22.2 million from the Lender. Management has determined there are no other subsequent events to disclose. Management has performed its analysis through June 13, 2018, the date the financial statements were available to be issued.

Supplemental Schedules

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation
Consolidating Statements of Financial Position

December 31, 2017

(000's omitted)

	MacArthur	Arc	Eliminations		Total
Assets					
Cash and cash equivalents	$ 3,867	$ 16,567	$ -		$ 20,434
Investments	6,806,223	-	-		6,806,223
Program-related investments	125,809	6,267	-		132,076
Assets held for charitable use	28,607	-	-		28,607
Other assets	12,467	373	(413)	(a)	12,427
Total assets	**$ 6,976,973**	**$ 23,207**	**$ (413)**		**$ 6,999,767**
Liabilities and net assets					
Grants payable	$ 534,187	$ -	$ -		$ 534,187
Other liabilities	80,899	23,819	(413)	(a)	104,305
Excise and income taxes	22,045	-	-		22,045
Total liabilities	**637,131**	**23,819**	**(413)**		**660,537**
Unrestricted net assets	6,339,842	(612)	-		6,339,230
Total liabilities and net assets	**$ 6,976,973**	**$ 23,207**	**$ (413)**		**$ 6,999,767**

(a) Elimination of inter-entity accounts receivable/payable

See accompanying independent auditor's report.

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation
Consolidating Statements of Activities

For the year ended December 31, 2017

(000's omitted)

	MacArthur	Arc	Eliminations		Total
Investment income					
Interest, dividends and other income	$ 26,469	$ 119	$ -		$ 26,588
Realized gain on investments	689,709	-	-		689,709
Total investment income	**716,178**	**119**	**-**		**716,297**
Investment expenses					
Administrative	16,328	-	-		16,328
Excise and income tax	3,938	-	-		3,938
Total investment expenses	**20,266**	**-**	**-**		**20,266**
Unrealized gain on investments	**271,228**	**-**	**590**	(a)	**271,818**
Net investment income	**967,140**	**119**	**590**		**967,849**
Operating expenses					
Grants authorized	470,710	-	-		470,710
Administrative	51,099	1,321	-		52,420
Post-retirement benefits	7,994	-	-		7,994
Total operating expenses	**529,803**	**1,321**	**-**		**531,124**
Change in unrestricted net assets	**437,337**	**(1,202)**	**590**		**436,725**
Unrestricted net assets, beginning of year	**5,902,505**	**590**	**(590)**	**(a)**	**5,902,505**
Unrestricted net assets, end of year	**$ 6,339,842**	**$ (612)**	**$ -**		**$ 6,339,230**

(a) Elimination of equity interest in Arc earnings

See accompanying independent auditor's report.

MacArthur Foundation

John D. and Catherine T. MacArthur Foundation
Consolidating Statements of Cash Flows

For the year ended December 31, 2017

(000's omitted)

	MacArthur	Arc	Eliminations		Total
Cash flows from operating activities					
Change in unrestricted net assets	$ 437,337	$ (1,202)	$ 590	(a)	$ 436,725
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities					
Depreciation	1,735	-	-		1,735
Amortization of deferred financing costs	-	27	-		27
Realized gain on investments	(689,709)	-	-		(689,709)
Unrealized gain on investments	(271,228)	-	(590)	(a)	(271,818)
Decrease (increase) in non-investment assets	3,750	(6,281)	200	(b)	(2,331)
Increase in grants payable	222,196	-	-		222,196
Increase in other liabilities	14,080	302	(200)	(b)	14,182
Increase in excise and income taxes	11,474	-	-		11,474
Net cash used in operating activities	**(270,365)**	**(7,154)**	**-**		**(277,519)**
Cash flows from investment activities					
Proceeds from sale of investments	2,434,693	-	-		2,434,693
Purchase of investments	(2,163,177)	-	-		(2,163,177)
Net cash provided by investment activities	**271,516**	**-**	**-**		**271,516**
Cash flows from financing activities					
Proceeds from notes payable	-	19,988	-		19,988
Net cash provided by financing activities	**-**	**19,988**	**-**		**19,988**
Net increase in cash and cash equivalents	**1,151**	**12,834**	**-**		**13,985**
Cash and cash equivalents at beginning of year	**2,716**	**3,733**	**-**		**6,449**
Cash and cash equivalents at end of year	**$ 3,867**	**$ 16,567**	**$ -**		**$ 20,434**
Supplemental disclosure of cash flow information					
Cash paid for interest	$ -	$ 301	$ -		$ 301

(a) Elimination of equity interest in Arc earnings
(b) Elimination of inter-entity accounts receivable/payable

See accompanying independent auditor's report.