The Coleman Foundation, Inc.

Financial Report
December 31, 2017

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Independent Auditor's Report

To the Board of Directors
The Coleman Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Coleman Foundation, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Coleman Foundation, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of The Coleman Foundation, Inc., as of and for the year ended December 31, 2016, were audited by other auditors, whose report, dated November 13, 2017, expressed an unmodified opinion on those statements.

RSM US LLP

Chicago, Illinois
September 10, 2018

The Coleman Foundation, Inc.

Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 6,536,506**	$ 144,041
Investments	**177,520,334**	164,647,043
Dividends and interest receivable	**372,400**	395,653
Deposits and prepaid expenses	**26,873**	30,725
Total current assets	**184,456,113**	165,217,462
Property and equipment:		
Leasehold improvements	**2,789**	2,789
Furniture and equipment	**52,683**	52,683
Computer equipment	**22,522**	37,968
	77,994	93,440
Less accumulated depreciation	**(64,192)**	(78,826)
	13,802	14,614
Total assets	**$ 184,469,915**	$ 165,232,076
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 214,436**	$ 166,774
Federal excise tax payable	**59,389**	-
Grants approved for future payment, payable within one year	**1,530,439**	1,878,800
Total current liabilities	**1,804,264**	2,045,574
Long-term liabilities:		
Deferred federal excise taxes	**414,047**	295,591
Grants approved for future payment, payable beyond one year	**697,439**	50,000
Total long-term liabilities	**1,111,486**	345,591
Total liabilities	**2,915,750**	2,391,165
Net assets:		
Unrestricted	**181,554,165**	162,840,911
Total liabilities and net assets	**$ 184,469,915**	$ 165,232,076

See notes to financial statements.

The Coleman Foundation, Inc.

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017	2016
Support and revenue:		
Interest	**$ 1,444,627**	$ 1,433,759
Dividends	**2,228,074**	2,085,495
Realized gains	**12,468,877**	6,972,088
Change in unrealized gains	**11,971,191**	(1,264,151)
Other	**5,923**	782,017
Total revenues	**28,118,692**	10,009,208
Expenses:		
Grants to qualifying tax-exempt organizations	**6,493,427**	4,835,299
Investment management and other investment related expenses	**737,824**	886,996
General and administrative expenses	**1,749,908**	1,384,238
Federal excise taxes	**424,279**	92,287
Total expenses	**9,405,438**	7,198,820
Increase in net assets	**18,713,254**	2,810,388
Net assets at beginning of year	**162,840,911**	160,030,523
Net assets at end of year	**$ 181,554,165**	$ 162,840,911

See notes to financial statements.

The Coleman Foundation, Inc.

Statements of Cash Flows
December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	**$ 18,713,254**	$ 2,810,388
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	**4,971**	3,608
Realized gains	**(12,468,877)**	(6,972,088)
Change in unrealized gains	**(11,971,191)**	1,264,151
Changes in:		
Dividends and interest receivable	**23,253**	14,954
Deposits and prepaid expenses	**3,852**	(5,378)
Accounts payable and accrued expenses	**47,662**	(14,886)
Federal excise tax payable	**59,389**	-
Grants approved for future payment	**299,078**	(2,147,604)
Deferred federal excise taxes payable	**118,456**	(12,642)
Net cash used in operating activities	**(5,170,153)**	(5,059,497)
Cash flows from investing activities:		
Proceeds from sales of investments	**45,547,541**	64,602,004
Purchases of investments	**(33,980,764)**	(59,542,461)
Purchases of fixed assets	**(4,159)**	(12,049)
Net cash provided by investing activities	**11,562,618**	5,047,494
Increase (decrease) in cash and cash equivalents	**6,392,465**	(12,003)
Cash and cash equivalents:		
Beginning of year	**144,041**	156,044
End of year	**$ 6,536,506**	$ 144,041
Supplemental disclosures of cash flow information:		
Cash paid during the year for Federal excise taxes	**$ 240,000**	$ 125,000

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Organization: The Coleman Foundation, Inc. (the Foundation) is a private grant-making foundation established in Illinois in 1951. The Foundation supports educational institutions offering entrepreneurship education, organizations providing cancer treatment, education and support, and agencies providing services for individuals with developmental disabilities only in the Chicago Metropolitan area, the Foundation's primary geographical focus.

Financial statement presentation: The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP) as they apply to not-for-profit organizations. The financial statements are prepared on the accrual basis of accounting.

Accordingly, the classification of an organization's net assets and its revenue and expenditures is based on the existence or absence of restrictions. As the net assets of the Foundation do not have any restrictions which meet the definition of temporarily or permanently restricted, all of the Foundation's net assets are classified as unrestricted.

Substantially all of the Foundation's assets and liabilities are considered financial instruments and are either already reflected at fair value or at carrying amounts that approximate fair value because of the short maturity of the instruments.

Use of estimates: The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents may at times exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and management believes that the Foundation is not exposed to any significant credit risk on cash. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants to qualifying tax-exempt organizations: In its financial statements, the Foundation makes a provision for grants that have been approved and scheduled for payment beyond December 31 each year. The more significant grants approved and/or scheduled for payment beyond December 31, 2017, are listed below.

Grantee	Expected Remaining Amount	Final Payment
Rush University Medical Center	$ 752,463	2019
University of Chicago Medicine	440,000	2020
The Arts of Life	120,000	2020
Jewish Child and Family Services	100,000	2019
Envision Unlimited	100,000	2018

Since the Foundation accrues its liability for grants approved and payable in subsequent years, it also records grants that are rescinded in the same manner. Thus, during the years 2017 and 2016, the Foundation approved grants totaling $6,553,966 and $4,937,998, respectively. The amounts of grants rescinded or returned in each of these years were $60,539 and $102,699, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments are recorded at fair value, with realized and unrealized gains and losses reflected in the statements of activities. Purchases and sales of investments are recorded on a trade-date basis.

Included within investments are certain professionally managed alternative investments that employ certain traditional as well as alternative investment strategies, and include investments in equities of private entities and real estate funds. Subject to certain conditions, as more fully described in the fund agreements, these funds may be restricted from withdrawal for a period of time.

Property and equipment: Computer, office furniture and equipment are recorded at cost and depreciated over their respective useful lives (5 to 10 years). Leasehold improvements are amortized using the straight line method over the shorter of the lease term or useful life of the asset. The Foundation follows the practice of capitalizing all expenditures in excess of $1,000 for computer, office equipment and leasehold improvements at cost.

Income taxes: The Foundation is a private foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any. The Foundation files Forms 990-PF in the U.S. federal jurisdiction and the State of Illinois.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained when challenged or when examined by the applicable tax authority. Examples of tax positions include the tax-exempt status of the Foundation, and various positions related to the potential sources of unrelated business taxable income. For the years ended December 31, 2017 and 2016, management has determined that there were no material uncertain tax positions.

Recent accounting pronouncements: In 2017, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent).* The ASU eliminates the requirement to disclose investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent). The fair value disclosures, including investments measured at NAV, are included in Note 3.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Foundation's 2019 financial statements. The Foundation does not expect the impact of the adoption of this standard to have a significant impact on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is the first phase of improvements to financial reporting and presentation. The guidance addresses net asset classifications, and reporting and disclosures about liquidity, financial performance, expenses and cash flows. The ASU will be effective for the Foundation's 2018 financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Foundation's year ending December 31, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies the process to determine whether contributions or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. The new standard is effective for the Foundation's year ending December 31, 2020.

The Foundation is currently evaluating the impact of the adoption of these standards on its financial statements.

Reclassifications: Certain 2016 amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

Subsequent events: Management has evaluated subsequent events through September 10, 2018, the date the financial statements were available to be issued.

Note 2. Investments

Investments were comprised of the following as of December 31, 2017 and 2016:

	2017		2016	
Description	Cost	Market	Cost	Market
Money market funds	$ 6,312,181	$ 6,312,181	$ 2,597,173	$ 2,597,173
U.S. Government bonds/agencies	147,531	145,660	469,823	470,457
Corporate bonds and preferred stock	29,052,580	28,822,604	26,464,684	26,163,713
Taxable state and municipal bonds	12,177,154	12,391,775	13,915,259	14,242,440
Domestic common stock	61,292,309	94,194,345	62,155,426	83,394,771
International securities and mutual fund	18,636,681	21,841,517	19,863,963	21,086,303
Alternative investments	8,600,476	13,812,252	9,850,484	16,692,186
	$ 136,218,912	$ 177,520,334	$ 135,316,812	$ 164,647,043

Note 3. Fair Value Measurements

The Foundation follows accounting guidance related to fair value measurements, which provides a framework for measuring fair value under US GAAP. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under this guidance are described below:

> Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
>
> Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, or quoted prices in active markets.
>
> Level 3. Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Foundation’s accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended December 31, 2017 and 2016, there were no such transfers.

Following is a description of the valuation methodologies used for assets measured at fair value. For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets has been consistent with techniques used in previous years.

Investments in money market funds, domestic common stock, international securities and mutual fund: Valued at the last reported sales price on the day of valuation on a national securities exchange.

Investments in U.S. Government bonds/agencies, corporate bonds and preferred stock, taxable state and municipal bonds: Valued using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Investments in alternative investments (private equity funds, real estate funds): The fair value of private equity funds and real estate funds is based upon the applicable percentage ownership of the underlying funds’ net assets as of the measurement date, as provided by the investment manager. This percentage ownership is the equivalent of NAV, which is used as a practical expedient to estimating fair value. The fair value of the Foundation's investments in these funds generally represents the amount the Foundation would expect to receive if it were to liquidate its investment in the funds excluding any redemption charges that may apply.

Note 3. Fair Value Measurements (Continued)

The following tables summarize the Foundation's investments accounted for at fair value as of December 31, 2017 and 2016, using the fair value hierarchy:

	2017				
Description	Level 1	Level 2	Level 3	Measured at NAV[(a)]	Total
Money market funds	$ 6,312,181	$ -	$ -	$ -	$ 6,312,181
U.S. Government bonds/agencies	-	145,660	-	-	145,660
Corporate bonds and preferred stock	-	28,822,604	-	-	28,822,604
Taxable state and municipal bonds	-	12,391,775	-	-	12,391,775
Domestic common stock	94,194,345	-	-	-	94,194,345
International securities and mutual fund	21,841,517	-	-	-	21,841,517
Alternative investments:					
Private equity funds	-	-	-	10,926,948	10,926,948
Real estate funds	-	-	-	2,885,304	2,885,304
	$ 122,348,043	$ 41,360,039	$ -	$ 13,812,252	$ 177,520,334

	2016				
Description	Level 1	Level 2	Level 3	Measured at NAV[(a)]	Total
Money market funds	$ 2,597,173	$ -	$ -	$ -	$ 2,597,173
U.S. Government bonds/agencies	-	470,457	-	-	470,457
Corporate bonds and preferred stock	-	26,163,713	-	-	26,163,713
Taxable state and municipal bonds	-	14,242,440	-	-	14,242,440
Domestic common stock	83,394,771	-	-	-	83,394,771
International securities and mutual fund	21,086,303	-	-	-	21,086,303
Alternative investments:					
Private equity funds	-	-	-	11,393,431	11,393,431
Real estate funds	-	-	-	5,298,755	5,298,755
	$ 107,078,247	$ 40,876,610	$ -	$ 16,692,186	$ 164,647,043

(a) In accordance with Subtopic ASC 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

The following table summarizes investments measured at fair value based on NAV using the practical expedient as of December 31, 2017 and 2016:

	Fair Value		Unfunded	Redemption	Redemption
	2017	2016	Commitment	Frequency	Notice Period
Alternative investment funds:					
Private equity funds (a)	$ 10,926,948	$ 11,393,431	$ 16,086,225	N/A	N/A
Real estate funds (b)	2,885,304	5,298,755	2,900,000	N/A	N/A

(a) Private equity funds include funds focused on domestic and international buyouts, venture capital, secondary funds, equity and debt interests in underlying real estate assets and special situations. Special situations can consist of the restructuring of a company and corporate transactions such as spinoffs, share repurchases, security issuance/repurchase, asset sales and other catalyst-oriented situations. There is no provision for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

Note 3. Fair Value Measurements (Continued)

(b) Real estate funds include funds focused on investing in real estate credit investments in North America and Europe. These investments principally include senior and subordinated securities, including mortgages, B-notes and mezzanine loans, related to real estate-related assets. There is no provision for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

Note 4. Federal Excise Tax

The 2017 and 2016 current provision for federal excise tax amounts to 2 and 1 percent, respectively, of net investment income (principally interest, dividends and any net realized gains, less expenses incurred in the production of income) as defined by the Internal Revenue Code.

The deferred federal excise tax payable as of December 31, 2017 and 2016, in the accompanying statements of financial position represents the tax effect of the temporary difference between the carrying value of investments for tax and financial reporting purposes. For the years ended December 31, 2017 and 2016, tax expense consisted of the following:

	2017	2016
Current	$ 305,823	$ 104,929
Deferred	118,456	(12,642)
	$ 424,279	$ 92,287

Note 5. Lease Obligations

The Foundation's lease for its office space provided for occupancy through December 31, 2018. In March 2018, the Foundation extended the office lease through May 31, 2024. Rent expense was $82,560 for 2017 and $80,520 for 2016. Future minimum rental payments under the lease are as follows:

2018	$ 86,750
2019	97,050
2020	98,850
2021	100,650
2022	102,450
2023 - 2024	148,000
	$ 633,750

Note 6. Risks and Uncertainties

The Foundation's investment portfolio is exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Note 6. Risks and Uncertainties (Continued)

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk. The Foundation attempts to control their exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Foundation’s exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Foundation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges. The Foundation seeks to mitigate their exposure to this credit risk by placing their cash with major institutions.

Concentration of credit risk: The Foundation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Foundation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Foundation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

Alternative investments and investments in funds: The managers of underlying investment entities in which the Foundation invests may utilize derivative instruments with off-balance-sheet risk. The Foundation’s exposure to risk is limited to the amount of its investment.

Note 7. Retirement Plan

Effective September 1, 2010, the Foundation adopted a SEP-IRA arrangement whereby 15 percent of eligible employees' compensation is contributed. For 2017 and 2016, the total contributions under the SEP-IRA arrangement was $115,262 and $110,565, respectively.