JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

LUTZ AND CARR
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Josiah Macy Jr. Foundation

We have audited the accompanying financial statements of Josiah Macy Jr. Foundation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

Auditors' 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 of 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 auditors' 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.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Josiah Macy Jr. Foundation as of June 30, 2015 and 2014, 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.

Lutz + Carr, LLP

New York, New York
October 21, 2015

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	2015	2014
Assets		
Cash and cash equivalents (Notes 1c and 9)	$ 2,652,707	$ 5,154,440
Investments, at fair value (Notes 1d, 1e and 3)	134,654,449	143,372,196
Due from broker	37,582	-
Accrued interest and dividends receivable	102,263	7,679
Prepaid expenses and other assets	121,407	96,163
Property and equipment, at cost, less accumulated depreciation (Notes 1f and 4)	5,020,363	5,242,037
Total Assets	$142,588,771	$153,872,515
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 1g and 5)	$ 640,584	$ 708,973
Other accrued liabilities	108,062	93,985
Deferred federal excise tax (Note 2)	231,394	298,359
Accrued retirement benefits (Note 8)	-	2,988
Due to broker	-	23,093
Total Liabilities	980,040	1,127,398
Net Assets		
Unrestricted	141,608,731	152,745,117
Total Liabilities and Net Assets	$142,588,771	$153,872,515

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Revenue		
Dividends, interest and other income on investments	$ 2,957,078	$ 2,183,699
Net realized and unrealized gain (loss) on investments	(5,340,346)	17,148,359
Investment counsel and custodian fees	(825,009)	(815,337)
Provision for taxes (Note 2)		
Current excise tax	(33,950)	(73,183)
Deferred excise (tax) benefit	66,965	(109,602)
Total Revenue (Loss)	(3,175,262)	18,333,936
Expenses (Note 7)		
Salaries	1,652,687	1,501,932
Employee benefits (Note 8)	324,128	300,445
Professional services	228,390	169,824
Equipment and minor improvements	69,269	56,918
Utilities, insurance and building maintenance	76,051	76,602
Travel	80,158	85,131
Director meetings expense	54,764	51,337
Other administrative expenses	189,875	158,207
Depreciation	254,422	255,218
Grants and Conferences, and Publications		
Health professional education grants	2,849,376	3,693,978
Grant refunds	(281,820)	(51,963)
President's discretionary grants	488,250	494,200
Matching gift grants	141,864	150,240
Macy faculty scholars grants and related expenses	1,444,521	1,525,165
Conference expenses	230,697	164,951
Publications	113,962	86,873
Organizational dues	44,530	45,820
Total Expenses	7,961,124	8,764,878
Increase (decrease) in net assets	(11,136,386)	9,569,058
Net assets, beginning of year	152,745,117	143,176,059
Net Assets, End of Year	$141,608,731	$152,745,117

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (11,136,386)	$ 9,569,058
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	254,422	255,218
Net realized and unrealized (gain) loss on investments	5,340,346	(17,148,359)
Provision for deferred federal excise tax (benefit)	(66,965)	109,602
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(94,584)	7,978
Prepaid expenses and other assets	(25,244)	(12,758)
Grants payable	(68,389)	130,929
Other accrued liabilities	14,077	23,230
Accrued retirement benefits	(2,988)	(1,502)
Net Cash Used By Operating Activities	(5,785,711)	(7,066,604)
Cash Flows From Investing Activities		
Purchases of investments	(45,174,033)	(23,159,433)
Proceeds from sales of investments	48,490,759	31,300,223
Payment for property and equipment additions	(32,748)	(98,284)
Net Cash Provided By Investing Activities	3,283,978	8,042,506
Net increase (decrease) in cash and cash equivalents	(2,501,733)	975,902
Cash and cash equivalents, beginning of year	5,154,440	4,178,538
Cash and Cash Equivalents, End of Year	$ 2,652,707	$ 5,154,440

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Josiah Macy Jr. Foundation (the "Foundation") is a private foundation which provides grants to colleges, universities and other professional associations relating primarily to health professional education.

b - Net Assets Classification

The Foundation's net assets consist of unrestricted net assets which are fully available at the discretion of management and the Board of Directors to utilize in any of the Foundation's programs or supporting services.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for cash and short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

d - Fair Value

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

Level 1 — Inputs that reflect 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 included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 — Inputs that are unobservable.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Fair Value (continued)
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. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

e - Investments
The Foundation reflects investments with determinable fair values at their fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

The Foundation's alternative investments, which do not have readily determinable fair values, are reported based upon the underlying net asset value per share or its equivalent, which is estimated at fair value by the fund manager or general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies. The Foundation reviewed and evaluated the values provided by the fund managers and general partners and accepts the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ from the values that would have been used had a ready market for these investments existed.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds, as opposed to direct interests in those funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Fund's interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near the measurement date. If the interests can be redeemed in the near term (within 90 days), the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

f - Property and Equipment
Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets ranging from five to forty years.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

g - Grants
The Foundation normally provides grants to colleges, universities and other professional associations for a period of one to three years. These grants are recorded as expense at the time they become unconditional. Conditional or revocable grants are disclosed as future commitments.

h - Expense Allocations
Functional expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

i - Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

j - Subsequent Events
The Foundation has evaluated subsequent events through October 21, 2015, the date that the financial statements are considered available to be issued.

Note 2 - Income Tax Status

The Foundation qualifies as a tax-exempt organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is not subject to federal income taxes under Internal Revenue Code Section 501(a). In addition, New York State (the “State”) and New York City (the “City”) have classified the Foundation as nonprofit in character and, as such, it is exempt from payment of income taxes to the State and City. However, as a private foundation, a federal excise tax of 1% or 2% is imposed on the net investment income of the Foundation.

Deferred federal excise tax (benefit) arises from temporary differences between financial and tax reporting related to the difference between the cost basis and the fair value of marketable securities.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 2 - Income Tax Status (continued)

In addition, as a private foundation, qualifying distributions are required to be made for charitable, educational, or religious and scientific purposes equal to approximately 5% of the average fair value of the Foundation's cash and investments. All such required qualifying distributions have been made through June 30, 2015.

Management evaluated all income tax positions, including the position that the Foundation is exempt from income taxes or not subject to income taxes on unrelated business income, and concluded that no disclosures relating to uncertain tax positions were required in the financial statements. The Foundation's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

Note 3 - Investments

The cost and fair value of investments were as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash in transit	$ -	$ -	$ 3,243,629	$ 3,243,629
Capital appreciation:				
U.S. equity and mutual fund - large cap	10,024,726	16,059,993	8,753,800	14,700,055
U.S. equity - small/mid cap	6,100,990	7,031,878	6,172,466	7,725,338
Global ex-U.S. equity - alternative investments	19,181,588	21,325,143	18,683,392	22,458,977
Global equity mutual fund	4,636,821	7,064,414	6,237,122	9,599,242
Emerging markets equity mutual fund - including alternative investments	12,185,939	12,424,768	11,634,903	13,452,051
Equity hedge funds - alternative investments	16,991,729	22,203,950	13,791,729	18,216,823
Private investments - alternative investments	1,338,199	1,619,662	439,800	501,829
Real assets - mutual funds including alternative investments	10,152,573	9,426,536	14,174,124	15,254,839
Deflation protection - fixed income including alternative investments	15,334,028	15,250,111	14,408,680	13,835,903
Capital stability/opportunistic - alternative investments	14,789,073	20,442,346	14,872,918	21,832,243
Illiquid stub balances - alternative investments	764,353	1,805,648	1,093,316	2,551,267
Total	$111,500,019	$134,654,449	$113,505,879	$143,372,196

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 3 - Investments (continued)

The Foundation has investments in alternative investments that include limited partnerships, limited liability corporations and offshore corporations. While these investments contain varying degrees of risk, the Foundation's risk is limited to its capital investment in each investment.

In Fiscal 2015 and 2014, the Foundation committed to invest $1,500,000 and $3,000,000, respectively, in private investment funds, that make periodic capital calls. Investment in these funds cannot be withdrawn, except upon consent of the private investment funds. As of June 30, 2015, approximately $3,164,000 of these commitments remain outstanding.

Investment fees of approximately $1,114,000 related to the alternative investments were netted against the unrealized appreciation in 2015. Such fees approximated $1,548,000 in 2014.

The following summarizes the Foundation's investments carried at fair value by the levels within the fair value hierarchy used to measure their respective fair values:

	2015			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Capital appreciation:				
U.S. equity and mutual fund - large cap	$ 16,059,993	$16,059,993	$ -	$ -
U.S. equity - small/mid cap	7,031,878	7,031,878	-	-
Global ex-U.S. equity - alternative investments	21,325,143	-	21,325,143	-
Global equity mutual fund	7,064,414	7,064,414	-	-
Emerging markets equity mutual fund - including alternative investments	12,424,768	6,604,781	5,819,987	-
Equity hedge funds - alternative investments	22,203,950	-	22,203,950	-
Private investments - alternative investments	1,619,662	-	-	1,619,662
Real assets - mutual funds including alternative investments	9,426,536	6,465,730	2,960,806	-
Deflation protection - fixed income including alternative investments	15,250,111	11,889,811	3,360,300	-
Capital stability/opportunistic - alternative investments	20,442,346	-	9,981,409	10,460,937
Illiquid stub balances - alternative investments	1,805,648	-	-	1,805,648
Total	$134,654,449	$55,116,607	$65,651,595	$13,886,247

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 3 - Investments (continued)

	2014			
	Fair Value	Level 1	Level 2	Level 3
Cash in transit	$ 3,243,629	$ 3,243,629	$ -	$ -
Capital appreciation:				
U.S. equity and mutual fund - large cap	14,700,055	14,700,055	-	-
U.S. equity - small/mid cap	7,725,338	7,725,338		
Global ex-U.S. equity - alternative investments	22,458,977	-	22,458,977	-
Global equity mutual fund	9,599,242	9,599,242	-	-
Emerging markets equity mutual fund - including alternative investments	13,452,051	7,172,288	6,279,763	-
Equity hedge funds - alternative investments	18,216,823	-	18,216,823	-
Private investments - alternative investments	501,829	-	-	501,829
Real assets - mutual funds including alternative investments	15,254,839	9,116,839	6,138,000	-
Deflation protection - fixed income including alternative investments	13,835,903	13,835,903	-	-
Capital stability/opportunistic - alternative investments	21,832,243	-	12,085,938	9,746,305
Illiquid stub balances - alternative investments	2,551,267	-	-	2,551,267
Total	$143,372,196	$65,393,294	$65,179,501	$12,799,401

The following summarizes the changes in fair value of the Foundation's Level 3 investments for the years ended June 30, 2015 and 2014:

	Level 3	
	2015	2014
Balance, July 1	$12,799,401	$17,409,095
Realized gain	396,352	1,130,636
Unrealized gain (loss)	(132,590)	72,685
Purchases	4,298,399	439,800
Sales	(3,475,315)	(6,252,815)
Balance, June 30	$13,886,247	$12,799,401

The Foundation recognizes transfers between levels of the fair value hierarchy on the date of the event or changes in circumstances that caused the transfer. There were no transfers to or from Level 1 or Level 2.

Note 3 - Investments (continued)

The alternative investments included in the Foundation's investment portfolio at June 30, 2015 and 2014 are redeemable based on the following terms and conditions:

	2015	2014
Level 2		
Monthly with 5 - 30 days' notice	$30,105,936	$34,876,740
Quarterly with 30 days' notice	3,491,313	3,470,864
Quarterly with 45 days' notice	10,831,504	11,213,846
Quarterly with 60 - 65 days' notice	17,782,773	15,618,051
Quarterly with 75 days' notice	3,440,069	-
Total Level 2	65,651,595	65,179,501
Level 3		
Annually	4,886,297	2,551,267
One year initial lockup; Quarterly at anniversary of purchase with 45 days' notice	3,730,720	-
One year initial lockup; Annually at anniversary of purchase with 45 days' notice	-	3,117,956
Two year initial lockup; Annually with 45 days' notice	-	2,995,973
Every two years at anniversary of purchase	3,649,568	3,632,376
No opportunity for redemption: distributions made at fund's discretion	1,619,662	501,829
Total Level 3	13,886,247	12,799,401
Total	$79,537,842	$77,978,902

The following are descriptions of the investment strategies of these investments:

Capital Appreciation

Global ex-US Equity - Invests in equity securities of non-U.S. developed market mid and large-cap companies. Some managers may also have the flexibility to invest in emerging market and small cap equities.

Emerging Markets Equity - Invests in equity securities of companies located in emerging and frontier market countries.

Equity Hedge Funds - Invests in global equity securities and also sell short global equity securities. This strategy is also referred to as “long/short equity”.

Private Investments - Invests in private securities which include venture capital, buyouts, secondaries, distressed securities, and real estate.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 3 - Investments (continued)

Capital Stability/Opportunistic

Absolute Return Funds - Managers that invest in arbitrage, event-driven, distressed and relative value strategies. Managers have the flexibility to invest in equity and debt securities globally.

Real Assets

Commodities - Invests directly in commodity futures. The universe of investible commodities includes energy resources (coal, natural gas, oil), base metals (copper, steel, iron), precious metals (gold, silver, diamonds), and agricultural goods (corn, cotton, soybeans).

Global Natural Resource Equity - Managers that invest in equity securities of U.S. and non-U.S. companies involved in natural resources or commodities-related business.

Deflation Protection

Invests in high quality fixed income securities that will protect the portfolio during times of economic contraction and falling interest rates.

Illiquid Stub Balances

Invests in securities that include illiquid public equity, private equity and illiquid debt securities.

Note 4 - Property and Equipment

Fixed assets at June 30 consist of the following:

	Life	2015	2014
Land		$1,922,700	$1,922,700
Buildings	40 years	1,291,072	1,291,072
Improvements	5 - 20 years	3,908,069	3,901,649
Furniture and fixtures	5 years	301,036	281,708
Website	5 years	80,274	73,274
Total		7,503,151	7,470,403
Less: Accumulated depreciation		(2,482,788)	(2,228,366)
Net Book Value		$5,020,363	$5,242,037

Depreciation expense for the years ended June 30, 2015 and 2014 was $254,422 and $255,218, respectively.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 5 - Grants Payable

Grants payable as of June 30, 2015 and 2014 are payable within one year.

During the year ended June 30, 2015, the Foundation's Board of Directors had authorized grants of $3,789,542. Of this amount, $2,427,508 is to be paid in future years and is conditional upon the grantees making satisfactory progress toward stated objectives and is revocable by the Board of Directors if certain conditions are not met. Total conditional grants to be paid in future years are $5,345,500.

Note 6 - Related Parties

Certain members of the Board of Directors of the Foundation have relationships with institutions that receive grants from the Foundation. Grants totaling $864,773 and $1,499,721 were paid to these institutions during the years ended June 30, 2015 and 2014, respectively. It is a Board mandated policy that Directors with relationships with institutions receiving grants abstain from voting on grants to those institutions.

Note 7 - Functional Expenses

Functional expenses were incurred for:

	2015	2014
Program services	$7,127,363	$7,996,378
Management and general	833,761	768,500
	$7,961,124	$8,764,878

Note 8 - Retirement Plan

The Foundation has a noncontributory employee retirement plan with Teachers Insurance and Annuity Association (TIAA-CREF) covering employees who meet specified service and age tests. The plan is funded by the purchase of individual annuity contracts with an insurance company. Premium payments of $120,833 and $118,906 were charged to operating expense for the years ended June 30, 2015 and 2014, respectively.

In addition, the Foundation's employees have the option to participate in supplemental retirement plans with TIAA-CREF through payroll deductions.

Note 9 - **Concentration of Credit Risk**

The Foundation maintains its cash and cash equivalent balances in The Bank of New York Mellon, which at times, may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation or the Securities Investors Protection Corporation up to certain limits.

Note 10 - **Line of Credit**

The Foundation has a secured $2,000,000 line of credit with The Bank of New York Mellon. The line of credit provides for an interest rate equal to the LIBOR rate plus 125 basis points. There was no outstanding balance as of June 30, 2015 and 2014.

Note 11 - **Fair Value of Financial Instruments**

Accounting standards require disclosure of the fair value of financial instruments for which it is practicable to estimate the fair value. The fair value of investments has been presented in Note 3. The carrying amount of all other financial instruments approximates fair value because of their short maturity.