JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 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.

Lutz + Carr, LLP

New York, New York
October 18, 2017

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
Assets		
Cash and cash equivalents (Notes 1c and 9)	$ 4,119,789	$ 2,167,061
Investments, at fair value (Notes 1d, 1e and 3)	127,336,556	118,161,963
Due from broker	1,065,625	2,940,554
Accrued interest and dividends receivable	117,089	6,122
Prepaid expenses and other assets	81,600	74,800
Property and equipment, at cost, less accumulated depreciation (Notes 1f and 4)	4,571,034	4,774,948
Total Assets	$137,291,693	$128,125,448
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 1g and 5)	$ 641,002	$ 642,264
Other accrued liabilities	231,304	212,609
Deferred federal excise tax (Note 2)	115,462	122,854
Total Liabilities	987,768	977,727
Net Assets		
Unrestricted	136,303,925	127,147,721
Total Liabilities and Net Assets	$137,291,693	$128,125,448

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Revenue		
Dividends, interest and other income on investments	$ 2,006,821	$ 2,432,877
Net realized and unrealized gain (loss) on investments	15,865,696	(8,069,394)
Investment counsel and custodian fees	(832,844)	(734,163)
Provision for taxes (Note 2)		
Current excise tax	(174,378)	(44,653)
Deferred excise tax benefit	7,392	108,540
Total Revenue (Loss)	16,872,687	(6,306,793)
Expenses (Note 7)		
Salaries	1,770,307	1,724,620
Employee benefits (Note 8)	334,162	322,909
Professional services	234,728	169,497
Equipment and minor improvements	92,487	56,773
Utilities, insurance and building maintenance	69,631	73,921
Travel	91,938	62,769
Director meetings expense	48,568	51,406
Other administrative expenses	173,996	165,282
Depreciation	240,576	246,319
Grants, Conferences and Publications		
Health professional education grants	2,304,895	2,807,980
Grant refunds	(87,605)	(60,361)
President's discretionary grants	495,012	477,375
Matching gift grants	108,749	148,710
Macy faculty scholars grants and related expenses	1,533,820	1,653,338
Conference expenses	145,849	150,562
Publications	135,320	83,067
Organizational dues	24,050	20,050
Total Expenses	7,716,483	8,154,217
Increase (decrease) in net assets	9,156,204	(14,461,010)
Net assets, beginning of year	127,147,721	141,608,731
Net Assets, End of Year	$136,303,925	$127,147,721

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ 9,156,204	$ (14,461,010)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	240,576	246,319
Net realized and unrealized (gain) loss on investments	(15,865,696)	8,069,394
Provision for deferred federal excise tax benefit	(7,392)	(108,540)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(110,967)	96,141
Prepaid expenses and other assets	(6,800)	46,607
Grants payable	(1,262)	1,680
Other accrued liabilities	18,695	104,547
Net Cash Used By Operating Activities	(6,576,642)	(6,004,862)
Cash Flows From Investing Activities		
Purchases of investments	(102,481,824)	(15,322,219)
Proceeds from sales of investments	111,047,856	20,842,339
Payment for property and equipment additions	(36,662)	(904)
Net Cash Provided By Investing Activities	8,529,370	5,519,216
Net increase (decrease) in cash and cash equivalents	1,952,728	(485,646)
Cash and cash equivalents, beginning of year	2,167,061	2,652,707
Cash and Cash Equivalents, End of Year	$ 4,119,789	$ 2,167,061

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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.

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. Reporting entities that measure the fair value of an investment using the net asset value per share or its equivalent as a practical expedient are not required to be categorized within the fair value hierarchy.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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

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 as a practical expedient and are not required to be categorized within the fair value hierarchy. Net asset value per share 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.

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.

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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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

j - Subsequent Events

The Foundation has evaluated subsequent events through October 18, 2017, 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.

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, 2017.

Note 3 - Investments

The cost and fair value of investments were as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Fixed income	$ 20,043,980	$ 20,036,706	$ 11,447,501	$ 11,567,778
Equities - including investments measured at net asset value	55,440,776	60,710,439	53,821,775	59,427,986
Alternative assets - measured at net asset value	30,044,045	35,075,307	29,975,286	36,442,686
Liquidating investments - measured at net asset value	539,588	1,510,798	646,044	1,562,712
Hybrid investments - measured at net asset value	2,858,290	2,972,110	634,359	659,553
Private investments - measured at net asset value	2,684,871	3,253,522	1,987,793	2,277,075
Real assets - including investments measured at net asset value	4,178,799	3,777,674	7,363,776	6,224,173
Total	$115,790,349	$127,336,556	$105,876,534	$118,161,963

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 2017 and 2016, the Foundation committed to invest $7,750,000 and $4,500,000, 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, 2017, the Foundation committed to invest a total of $16,750,000 in private investment funds and approximately $9,421,000 of these commitments remains outstanding.

Investment fees of approximately $948,000 related to the alternative investments were netted against the unrealized appreciation in 2017. Such fees approximated $733,000 in 2016.

The following summarizes the Foundation's investments that are measured on a recurring basis at June 30:

	2017			
	Fair Value	Level 1	Level 2	Level 3
Fixed income	$ 20,036,706	$20,036,706	$ -	$ -
Equities	26,984,259	26,984,259	-	-
Real assets	2,239,538	2,239,538	-	-
Total Assets in Fair Value Hierarchy	49,260,503	$49,260,503	$ -	$ -
Investments measured at net asset value	78,076,053			
Total Investments	$127,336,556			

	2016			
	Fair Value	Level 1	Level 2	Level 3
Fixed income	$ 11,567,778	$11,567,778	$ -	$ -
Equities	34,124,000	34,124,000	-	-
Real assets	5,717,434	5,717,434	-	-
Total Assets in Fair Value Hierarchy	51,409,212	$51,409,212	$ -	$ -
Investments measured at net asset value	66,752,751			
Total Investments	$118,161,963			

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 3 - Investments (continued)

The alternative investments included in the Foundation's investment portfolio at June 30, 2017 and 2016 are redeemable based on the following terms and conditions:

	2017	2016
Monthly with 5 - 30 days' notice	$16,938,834	$25,303,986
Quarterly with 30 days' notice	-	3,235,952
Quarterly with 45 days' notice	7,151,658	8,983,932
Quarterly with 60 - 65 days' notice	12,406,451	14,809,084
Quarterly with 75 days' notice	3,415,629	3,066,357
Annually	7,677,702	4,794,486
Quarterly after eighteen months lock-up period	4,541,620	-
Quarterly after three-year lock-up period	10,925,669	-
Annually after three-year lock-up period	2,493,905	-
Every two years at anniversary of purchase	4,040,729	3,115,587
Every three years at anniversary of purchase	720,088	-
No opportunity for redemption: distributions made at fund's discretion	7,763,768	3,443,367
Total	$78,076,053	$66,752,751

The following are descriptions of the investment strategies of the Foundation's investments:

Fixed Income
Invests in fixed income securities which provides current income to support operating cash flow, liquidity to take advantage of unforeseen market opportunities, and creates some measure of diversification. As a result, both credit quality and preservation of principal are a core emphasis of this allocation.

Equities
Invests in public equities with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization which provides long-term capital appreciation.

Alternative Assets
Invests in investments commonly characterized as long/short "equity hedge" and "absolute return strategies" strategies. Equity long/short managers typically make both long and short investments and produce returns that can be expected to correlate more closely with the performance of the equity markets. Absolute return strategies typically involve event-driven, stressed and distressed credit and equity, macro, and spread-based arbitrage investments.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 3 - Investments (continued)

Liquidating Investments
Invests in non-liquid positions that will be realized over time.

Hybrid Investments
Invests in investments that tend to be heavily long biased and often have less liquidity than public equity funds or hedge funds, but exhibit shorter duration than traditional private equity and real assets funds.

Private Investments
Invests in investments that encompass diverse strategies including buyout, growth, venture capital and control-oriented distressed. These illiquid investments generally have four to six-year investment periods and approximately ten-year fund lives.

Real Assets
Invests in investments that encompass real estate, energy, timber, and commodities; these investments are expected to be in private strategies but may also include managers that invest in publicly traded securities.

Note 4 - Property and Equipment

Fixed assets at June 30 consist of the following:

	Life	2017	2016
Land		$1,922,700	$1,922,700
Buildings	40 years	1,291,072	1,291,072
Improvements	5 - 20 years	3,934,580	3,908,069
Furniture and fixtures	5 years	304,591	301,940
Website	5 years	87,774	80,274
Total		7,540,717	7,504,055
Less: Accumulated depreciation		(2,969,683)	(2,729,107)
Net Book Value		$4,571,034	$4,774,948

Note 5 - Grants Payable

Grants payable as of June 30, 2017 and 2016 are payable within one year.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 5 - Grants Payable (continued)

During the year ended June 30, 2017, the Foundation's Board of Directors had authorized grants of $2,952,625. Of this amount, $1,731,685 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 $4,210,144.

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 $229,182 and $323,021 were paid to these institutions during the years ended June 30, 2017 and 2016, 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:

	2017	2016
Program services	$6,759,155	$7,316,239
Management and general	957,328	837,978
	$7,716,483	$8,154,217

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 $125,680 and $125,778 were charged to operating expense for the years ended June 30, 2017 and 2016, respectively.

Note 8 - Retirement Plan (continued)

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, 2017 and 2016.