JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

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, 2016 and 2015, 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, 2016 and 2015, 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 19, 2016

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Cash and cash equivalents (Notes 1c and 9)	$ 2,167,061	$ 2,652,707
Investments, at fair value (Notes 1d, 1e and 3)	118,161,963	134,654,449
Due from broker	2,940,554	37,582
Accrued interest and dividends receivable	6,122	102,263
Prepaid expenses and other assets	74,800	121,407
Property and equipment, at cost, less accumulated depreciation (Notes 1f and 4)	4,774,948	5,020,363
Total Assets	$128,125,448	$142,588,771
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 1g and 5)	$ 642,264	$ 640,584
Other accrued liabilities	212,609	108,062
Deferred federal excise tax (Note 2)	122,854	231,394
Total Liabilities	977,727	980,040
Net Assets		
Unrestricted	127,147,721	141,608,731
Total Liabilities and Net Assets	$128,125,448	$142,588,771

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Revenue		
Dividends, interest and other income on investments	$ 2,432,877	$ 2,957,078
Net realized and unrealized loss on investments	(8,069,394)	(5,340,346)
Investment counsel and custodian fees	(734,163)	(825,009)
Provision for taxes (Note 2)		
Current excise tax	(44,653)	(33,950)
Deferred excise tax benefit	108,540	66,965
Total Revenue (Loss)	(6,306,793)	(3,175,262)
Expenses (Note 7)		
Salaries	1,724,620	1,652,687
Employee benefits (Note 8)	322,909	324,128
Professional services	169,497	228,390
Equipment and minor improvements	56,773	69,269
Utilities, insurance and building maintenance	73,921	76,051
Travel	62,769	80,158
Director meetings expense	51,406	54,764
Other administrative expenses	165,282	189,875
Depreciation	246,319	254,422
Grants, Conferences and Publications		
Health professional education grants	2,807,980	2,849,376
Grant refunds	(60,361)	(281,820)
President's discretionary grants	477,375	488,250
Matching gift grants	148,710	141,864
Macy faculty scholars grants and related expenses	1,653,338	1,444,521
Conference expenses	150,562	230,697
Publications	83,067	113,962
Organizational dues	20,050	44,530
Total Expenses	8,154,217	7,961,124
Decrease in net assets	(14,461,010)	(11,136,386)
Net assets, beginning of year	141,608,731	152,745,117
Net Assets, End of Year	$127,147,721	$141,608,731

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Decrease in net assets	$ (14,461,010)	$(11,136,386)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	246,319	254,422
Net realized and unrealized loss on investments	8,069,394	5,340,346
Provision for deferred federal excise tax benefit	(108,540)	(66,965)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	96,141	(94,584)
Prepaid expenses and other assets	46,607	(25,244)
Grants payable	1,680	(68,389)
Other accrued liabilities	104,547	14,077
Accrued retirement benefits	-	(2,988)
Net Cash Used By Operating Activities	(6,004,862)	(5,785,711)
Cash Flows From Investing Activities		
Purchases of investments	(15,322,219)	(45,174,033)
Proceeds from sales of investments	20,842,339	48,490,759
Payment for property and equipment additions	(904)	(32,748)
Net Cash Provided By Investing Activities	5,519,216	3,283,978
Net decrease in cash and cash equivalents	(485,646)	(2,501,733)
Cash and cash equivalents, beginning of year	2,652,707	5,154,440
Cash and Cash Equivalents, End of Year	$ 2,167,061	$ 2,652,707

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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 as a practical expedient. 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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

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 19, 2016, the date that the financial statements are considered available to be issued.

k - New Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* which amends disclosure requirements of Accounting Standards Codification Topic 820, Fair Value Measurement, for reporting entities that measure the fair value of an investment using the net asset value per share (or its equivalent) as a practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and also remove the requirements to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for the fiscal years beginning after December 15, 2016, with early application permitted. The Foundation elected to adopt ASU 2015-07 as of June 30, 2016.

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.

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, 2016.

Note 3 - Investments

The cost and fair value of investments were as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Capital Appreciation:				
U.S. equity and mutual fund - large cap	$ 10,852,831	$ 15,341,413	$ 10,024,726	$ 16,059,993
U.S. equity - small/mid cap	6,080,669	6,462,150	6,100,990	7,031,878
Global ex-U.S. equity - alternative investments	20,728,222	19,924,502	19,181,588	21,325,143
Global equity mutual fund	4,773,688	6,957,780	4,636,821	7,064,414
Emerging markets equity mutual fund - including alternative investments	11,382,830	10,738,624	12,185,939	12,424,768
Opportunistic Global Equity	6,849,463	5,717,426	6,849,463	6,465,730
Equity hedge funds - alternative investments	12,523,913	15,372,383	16,991,729	22,203,950
Private investments -alternative investments	3,136,464	3,443,367	1,338,199	1,619,662
Real assets - alternative investments	-	-	3,303,110	2,960,806
Deflation protection - fixed income including alternative investments	14,831,517	15,049,711	15,334,028	15,250,111
Capital stability/opportunistic - alternative investments	14,070,893	17,591,895	14,789,073	20,442,346
Illiquid stub balances - alternative investments	646,044	1,562,712	764,353	1,805,648
Total	$105,876,534	$118,161,963	$111,500,019	$134,654,449

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 2016 and 2015, the Foundation committed to invest $4,500,000 and $1,500,000, 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, 2016, the Foundation committed to invest a total of $9,000,000 in private investment funds and approximately $5,863,000 of these commitments remains outstanding.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 3 - Investments (continued)

Investment fees of approximately $733,000 related to the alternative investments were netted against the unrealized appreciation in 2016. Such fees approximated $1,114,000 in 2015.

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

	2016			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Capital Appreciation:				
U.S. equity and mutual fund - large cap	$ 15,341,413	$15,341,413	$ -	$ -
U.S. equity - small/mid cap	6,462,150	6,462,150	-	-
Global equity mutual fund	6,957,780	6,957,780	-	-
Emerging markets equity mutual fund	5,359,140	5,359,140	-	-
Opportunistic Global Equity	5,717,426	5,717,426	-	-
Deflation protection - fixed income	11,571,303	11,571,303	-	-
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			

	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 equity mutual fund	7,064,414	7,064,414	-	-
Emerging markets equity mutual fund	6,604,781	6,604,781	-	-
Opportunistic Global Equity	6,465,730	6,465,730	-	-
Deflation protection - fixed income	11,889,811	11,889,811	-	-
Total Assets in Fair Value Hierarchy	55,116,607	$55,116,607	$ -	$ -
Investments measured at net asset value	79,537,842			
Total Investments	$134,654,449			

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 3 - Investments (continued)

The alternative investments included in the Foundation's investment portfolio at June 30, 2016 and 2015 are redeemable based on the following terms and conditions:

	2016	2015
Monthly with 5 - 30 days' notice	$25,303,986	$30,105,936
Quarterly with 30 days' notice	3,235,952	3,491,313
Quarterly with 45 days' notice	8,983,932	10,831,504
Quarterly with 60 - 65 days' notice	14,809,084	17,782,773
Quarterly with 75 days' notice	3,066,357	3,440,069
Annually	4,794,486	4,886,297
One year initial lockup; Quarterly at anniversary of purchase with 45 days' notice	-	3,730,720
Every two years at anniversary of purchase	3,115,587	3,649,568
No opportunity for redemption: distributions made at fund's discretion	3,443,367	1,619,662
Total	$66,752,751	$79,537,842

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, 2016 AND 2015

Note 3 - Investments (continued)

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.

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.

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	2016	2015
Land		$1,922,700	$1,922,700
Buildings	40 years	1,291,072	1,291,072
Improvements	5 - 20 years	3,908,069	3,908,069
Furniture and fixtures	5 years	301,940	301,036
Website	5 years	80,274	80,274
Total		7,504,055	7,503,151
Less: Accumulated depreciation		(2,729,107)	(2,482,788)
Net Book Value		$4,774,948	$5,020,363

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 5 - Grants Payable

Grants payable as of June 30, 2016 and 2015 are payable within one year.

During the year ended June 30, 2016, the Foundation's Board of Directors had authorized grants of $3,631,351. Of this amount, $1,872,687 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 $4,827,504.

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 $323,021 and $864,773 were paid to these institutions during the years ended June 30, 2016 and 2015, 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:

	2016	2015
Program services	$7,316,239	$7,127,363
Management and general	837,978	833,761
	$8,154,217	$7,961,124

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 $125,778 and $120,833 were charged to operating expense for the years ended June 30, 2016 and 2015, respectively.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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, 2016 and 2015.