JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176
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, 2018 and 2017, 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.

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, 2018 and 2017, 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 17, 2018

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
Assets		
Cash and cash equivalents (Notes 1c and 9)	$ 4,718,997	$ 4,119,789
Investments, at fair value (Notes 1d, 1e and 3)	126,610,210	127,336,556
Due from broker	220,597	1,065,625
Accrued interest and dividends receivable	128,891	117,089
Prepaid expenses and other assets	124,526	81,600
Property and equipment, at cost, less accumulated depreciation (Notes 1f and 4)	4,374,510	4,571,034
Total Assets	$136,177,731	$137,291,693
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 1g and 5)	$ 661,297	$ 641,002
Other accrued liabilities	162,823	231,304
Deferred federal excise tax (Note 2)	142,290	115,462
Total Liabilities	966,410	987,768
Commitments (Notes 8 and 10)		
Net Assets		
Unrestricted	135,211,321	136,303,925
Total Liabilities and Net Assets	$136,177,731	$137,291,693

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Revenue		
Dividends, interest and other income on investments	$ 1,715,906	$ 2,011,409
Net realized and unrealized gain on investments	8,318,854	15,861,108
Investment counsel and custodian fees	(2,398,306)	(832,844)
Provision for taxes (Note 2)		
Current excise tax	(50,939)	(174,378)
Deferred excise tax benefit (liability)	(26,828)	7,392
Total Revenue	7,558,687	16,872,687
Expenses (Note 7)		
Salaries	1,870,777	1,770,307
Employee benefits (Note 8)	339,861	334,162
Professional services	597,591	234,728
Equipment and minor improvements	93,269	92,487
Utilities, insurance and building maintenance	74,253	69,631
Travel	79,896	91,938
Director meetings expense	83,958	48,568
Other administrative expenses	194,042	173,996
Depreciation	238,808	240,576
Grants, Conferences and Publications		
Health professional education grants	2,478,850	2,304,895
Grant refunds	(5,172)	(87,605)
President's discretionary grants	498,354	495,012
Matching gift grants	142,830	108,749
Macy faculty scholars grants and related expenses	1,625,522	1,533,820
Conference expenses	185,859	145,849
Publications	125,713	135,320
Organizational dues	26,880	24,050
Total Expenses	8,651,291	7,716,483
Increase (decrease) in net assets	(1,092,604)	9,156,204
Net assets, beginning of year	136,303,925	127,147,721
Net Assets, End of Year	$135,211,321	$136,303,925

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (1,092,604)	$ 9,156,204
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	238,808	240,576
Net realized and unrealized gain on investments	(8,318,854)	(15,861,108)
Provision for deferred federal excise tax (benefit) liability	26,828	(7,392)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(11,802)	(110,967)
Prepaid expenses and other assets	(42,926)	(6,800)
Grants payable	20,295	(1,262)
Other accrued liabilities	(68,481)	18,695
Net Cash Used By Operating Activities	(9,248,736)	(6,572,054)
Cash Flows From Investing Activities		
Purchases of investments	(38,563,000)	(102,486,412)
Proceeds from sales of investments	48,453,228	111,047,856
Payment for property and equipment additions	(42,284)	(36,662)
Net Cash Provided By Investing Activities	9,847,944	8,524,782
Net increase in cash and cash equivalents	599,208	1,952,728
Cash and cash equivalents, beginning of year	4,119,789	2,167,061
Cash and Cash Equivalents, End of Year	$ 4,718,997	$ 4,119,789

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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.

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, 2018 AND 2017

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

j - Subsequent Events
The Foundation has evaluated subsequent events through October 17, 2018, 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, 2018.

Note 3 - Investments

The cost and fair value of investments were as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Fixed income	$ 20,402,704	$ 19,965,324	$ 20,043,980	$ 20,036,706
Equities - including investments measured at net asset value	49,643,478	55,094,945	55,440,776	60,710,439
Alternative assets - measured at net asset value	24,950,065	30,794,235	30,044,045	35,075,307
Liquidating investments - measured at net asset value	4,246,126	5,216,471	539,588	1,510,798
Hybrid investments - measured at net asset value	5,509,318	6,020,432	2,858,290	2,972,110
Private investments - measured at net asset value	5,253,665	6,271,597	2,684,871	3,253,522
Real assets - including investments measured at net asset value	2,375,879	3,247,206	4,178,799	3,777,674
Total	$112,381,235	$126,610,210	$115,790,349	$127,336,556

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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 2018 and 2017, the Foundation committed to invest $16,500,000 and $7,750,000, 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, 2018, the Foundation committed to invest a total of $33,250,000 in private investment funds and approximately $19,016,000 of these commitments remain outstanding.

Investment fees of approximately $693,000 related to the alternative investments were netted against the unrealized appreciation in 2018. Such fees approximated $948,000 in 2017.

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

	2018			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Fixed income	$ 19,965,324	$19,965,324	$ -	$ -
Equities	17,132,439	17,132,439	-	-
Total Assets in Fair Value Hierarchy	37,097,763	$37,097,763	$ -	$ -
Investments measured at net asset value	89,512,447			
Total Investments	$126,610,210			

	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			

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 3 - Investments (continued)

The alternative investments included in the Foundation's investment portfolio at June 30, 2018 and 2017 are redeemable based on the following terms and conditions:

	2018	2017
Monthly with 5 - 30 days' notice	$14,517,422	$16,938,834
Quarterly with 45 days' notice	3,721,469	7,151,658
Quarterly with 60 - 65 days' notice	14,630,081	12,406,451
Quarterly with 75 days' notice	-	3,415,629
Annually	12,060,222	7,677,702
Quarterly after eighteen months lock-up period	4,709,652	4,541,620
Quarterly after three-year lock-up period	11,200,363	10,925,669
Annually after three-year lock-up period	2,574,900	2,493,905
Every two years at anniversary of purchase	4,033,198	4,040,729
Every two years after two-year lock-up period	5,320,421	-
Every three years at anniversary of purchase	1,205,484	720,088
No opportunity for redemption: distributions made at fund's discretion	15,539,235	7,763,768
Total	$89,512,447	$78,076,053

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

Fixed Income
Invests in fixed income securities which provide 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.

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	2018	2017
Land		$1,922,700	$1,922,700
Buildings	40 years	1,291,072	1,291,072
Improvements	5 - 20 years	3,974,098	3,934,580
Furniture and fixtures	5 years	307,357	304,591
Website	5 years	87,774	87,774
Total		7,583,001	7,540,717
Less: Accumulated depreciation		(3,208,491)	(2,969,683)
Net Book Value		$4,374,510	$4,571,034

Note 5 - Grants Payable

Grants payable as of June 30, 2018 and 2017 are payable within one year.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5 - Grants Payable (continued)

During the year ended June 30, 2018, the Foundation's Board of Directors had authorized grants of $4,150,485. Of this amount, $2,756,294 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 $4,286,184.

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 $225,000 and $229,182 were paid to these institutions during the years ended June 30, 2018 and 2017, 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:

	2018	2017
Program services	$7,723,118	$6,759,155
Management and general	928,173	957,328
	$8,651,291	$7,716,483

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 $128,552 and $125,680 were charged to operating expense for the years ended June 30, 2018 and 2017, respectively.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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, 2018 and 2017.