JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 statements of financial position of Josiah Macy Jr. Foundation (a not-for-profit corporation) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Organization. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
October 20, 2010

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	2010	2009 *
Assets		
Cash and cash equivalents (Notes 1c and 9)	$ 3,909,086	$ 1,715,140
Investments, at fair value (Notes 1d and 3)	124,611,634	114,983,177
Accrued interest and dividends receivable	208,926	275,749
Prepaid expenses and other assets	66,509	110,641
Property and equipment, at cost, less accumulated depreciation (Notes 1e and 4)	4,961,140	4,736,966
Total Assets	$133,757,295	$121,821,673
Liabilities and Net Assets		
Liabilities		
Due to broker	$ 2,183,696	$ 36,857
Grants payable (Notes 1f and 5)	840,578	938,710
Other accrued liabilities	85,083	301,595
Deferred federal excise tax (Note 2)	10,180	-
Accrued retirement benefits (Note 8)	7,000	5,358
Total Liabilities	3,126,537	1,282,520
Net Assets		
Unrestricted	130,630,758	120,539,153
Total Liabilities and Net Assets	$133,757,295	$121,821,673

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Revenue		
Interest on investments	$ 1,059,694	$ 1,366,429
Dividends on investments	1,149,939	1,570,590
Grant refunds	512	70,217
Total Revenue	2,210,145	3,007,236
Expenses (Note 7)		
Salaries	942,639	1,134,321
Employee benefits (Note 8)	293,802	301,059
Professional services	249,613	358,782
Equipment and minor improvements	62,648	63,588
Utilities, insurance and building maintenance	57,438	73,486
Other administrative expenses	181,419	345,443
Investment counsel and custodian fees	761,298	690,196
Depreciation	129,583	23,289
Provision for taxes (Note 2)		
Excise tax	61,421	25,000
Deferred tax (benefit)	10,180	(67,872)
Grants and conferences, publications and program planning		
Health professional education grants	3,606,237	3,189,346
President's discretionary grants	500,000	500,000
Matching gift and other grants	169,500	332,394
Conferences	185,520	298,509
Publications and program planning - net of refunds	420,166	327,531
Organizational dues	44,620	56,620
Total Expenses	7,676,084	7,651,692
Change in unrestricted net assets from operations	(5,465,939)	(4,644,456)
Net realized and unrealized gain (loss) on investments	15,557,544	(25,473,222)
Change in net assets	10,091,605	(30,117,678)
Net assets, beginning of year	120,539,153	150,656,831
Net Assets, End of Year	$130,630,758	$120,539,153

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009 *
Cash Flows From Operating Activities		
Change in net assets	$ 10,091,605	$ (30,117,678)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	129,583	23,289
Net realized and unrealized (gain) loss on investments	(15,557,544)	25,473,222
(Credit) provision for deferred federal excise tax	10,180	(67,872)
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	66,823	49,140
Prepaid expenses and other assets	44,132	133,554
Grants payable	(98,132)	75,920
Other accrued liabilities	(81,944)	124,209
Accrued retirement benefits	1,642	2,508
Net Cash Used By Operating Activities	(5,393,655)	(4,303,708)
Cash Flows From Investing Activities		
Purchases of investments	(151,903,420)	(91,772,315)
Proceeds from sales of investments	159,979,346	96,227,407
Payment for fixed asset additions	(488,325)	(2,232,622)
Net Cash Provided By Investing Activities	7,587,601	2,222,470
Net increase (decrease) in cash and cash equivalents	2,193,946	(2,081,238)
Cash and cash equivalents, beginning of year	1,715,140	3,796,378
Cash and Cash Equivalents, End of Year	$ 3,909,086	$ 1,715,140

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

d - Investments and Fair Value
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.

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the assumptions developed by the Foundation based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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

d - Investments and Fair Value (continued)
An asset or liability'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.

Investments in common stock, U.S. government and agency obligations, mutual funds and corporate obligations are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

Investments in certain alternative investments are classified within Level 2 of the fair value hierarchy. Fair value is determined by the general partners or management of the companies, based on quoted prices for similar assets.

Investments are classified within Level 3 of the fair value hierarchy because they trade infrequently (or not at all) and therefore have little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Certain alternative investments are classified within Level 3 of the fair value hierarchy.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability and such adjustments are generally based on available market information. In the absence of such evidence, management's best estimate is used.

The values assigned to these investments and any unrealized gains or losses reported based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

e - 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 fifteen years.

f - 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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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

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

h - 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.

i - Subsequent Events
The Foundation has evaluated subsequent events through October 20, 2010, 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, an excise tax of 1% or 2% is imposed on the net investment income of the Foundation.

Deferred federal excise tax 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, 2010.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 3 - Investments

The cost and fair value of investments were as follows:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 4,102,273	$ 4,102,273	$ 1,155,603	$ 1,155,603
Common stock	52,902,879	50,934,730	38,151,017	30,190,105
U.S. government and agency obligations	8,223,244	8,422,409	6,033,425	6,124,084
Corporate obligations	10,307,896	10,450,457	13,891,494	12,615,345
Mutual funds	7,402,483	5,166,153	24,102,591	19,438,933
Alternative investments	40,674,635	45,535,612	41,404,490	45,459,107
Total	$123,613,410	$124,611,634	$124,738,620	$114,983,177

In fiscal 2010 and 2009, the Foundation had investments in alternative investments that include limited partnerships, a trust and offshore corporations. While these investments contain varying degrees of risk, the Foundation's risk is limited to its capital investment in each investment.

Investment fees of approximately $1,157,000 related to the alternative investments were netted against the unrealized appreciation in 2010. Such fees approximated $602,000 in 2009.

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:

	2010			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,102,273	$ 4,102,273	$ -	$ -
Common stock	50,934,730	50,934,730	-	-
U.S. government and agency obligations	8,422,409	8,422,409	-	-
Corporate obligations	10,450,457	10,450,457	-	-
Mutual funds	5,166,153	5,166,153	-	-
Alternative investments	45,535,612	-	27,486,477	18,049,135
	$124,611,634	$79,076,022	$27,486,477	$18,049,135

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 3 - Investments (continued)

	2009			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 1,155,603	$ 1,155,603	$ -	$ -
Common stock	30,190,105	30,190,105	-	-
U.S. government and agency obligations	6,124,084	6,124,084	-	-
Corporate obligations	12,615,345	12,615,345	-	-
Mutual funds	19,438,933	19,438,933	-	-
Alternative investments	45,459,107	-	23,759,301	21,699,806
	$114,983,177	$69,524,070	$23,759,301	$21,699,806

The following summarizes the changes in fair value of the Foundation's Level 3 investments for the years ended June 30, 2010 and 2009:

	Level 3	
	2010	**2009**
Balance, July 1	$21,699,806	$35,816,247
Realized gain	3,745,297	580,288
Unrealized loss	(1,448,711)	(11,079,333)
Purchases	5,000,000	382,604
Sales	(10,947,257)	(4,000,000)
Balance, June 30	$18,049,135	$21,699,806

Note 4 - Property and Equipment

Property and equipment at June 30 consist of the following:

	2010	**2009**
Land	$1,922,700	$1,922,700
Buildings	1,291,072	1,291,072
Furniture and fixtures	142,049	134,023
Improvements	2,972,810	2,627,079
Total	6,328,631	5,974,874
Less: Accumulated depreciation	(1,367,491)	(1,237,908)
Net Book Value	$4,961,140	$4,736,966

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JUNE 30, 2010 AND 2009

Note 5 - Grants Payable

Grants payable as of June 30, 2010 and 2009 are payable within one year.

At June 30, 2010, the Foundation's Board of Directors had authorized grants of $6,164,466 to be paid in future years. Of this amount, $6,073,537 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.

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 $1,648,647 and $1,019,500 were paid to these institutions during the years ended June 30, 2010 and 2009, respectively. The Board members abstain from voting on grants to institutions with which they have a relationship.

Note 7 - Functional Expenses

Functional expenses were incurred for:

	2010	2009
Program services	$5,879,239	$5,470,476
Management and general	1,796,845	2,181,216
	$7,676,084	$7,651,692

Note 8 - Retirement Plan

The Foundation has a non-contributory employee retirement plan with Teachers Insurance and Annuity Association (TIAA) 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 $95,687 and $102,021 were charged to operating expense for the years ended June 30, 2010 and 2009, respectively.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 8 - Retirement Plan (continued)

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

Note 9 - Concentration of Credit Risk

The Foundation maintains its cash 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 - 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.