JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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
June 18, 2020

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Cash and cash equivalents (Notes 1b and 9)	$ 1,062,161	$ 4,718,997
Investments, at fair value (Notes 1c, 1d and 4)	127,819,604	126,610,210
Due from broker	657,913	220,597
Accrued interest and dividends receivable	82,867	128,891
Prepaid expenses and other assets	82,005	124,526
Property and equipment, at cost, less accumulated depreciation (Notes 1e and 5)	4,684,049	4,374,510
Total Assets	$134,388,599	$136,177,731
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 1f and 6)	$ 571,158	$ 661,297
Other accrued liabilities	104,230	162,823
Deferred federal excise tax (Note 2)	148,205	142,290
Total Liabilities	823,593	966,410
Commitments and Contingencies (Notes 4, 6, 8 and 10)		
Net Assets		
Without donor restrictions	133,565,006	135,211,321
Total Liabilities and Net Assets	$134,388,599	$136,177,731

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions		
Revenue		
Dividends, interest and other income on investments, net of investment counsel and custodian fees of $1,338,700 (2019) and $2,398,306 (2018)	$ 3,320,148	$ (682,400)
Net realized and unrealized gain on investments	3,573,972	8,318,854
Total Revenue	6,894,120	7,636,454
Expenses		
Program services	7,555,157	7,723,118
Supporting services - management and general	985,278	1,005,940
Total Expenses	8,540,435	8,729,058
Decrease in net assets without donor restrictions	(1,646,315)	(1,092,604)
Net assets without donor restrictions, beginning of year	135,211,321	136,303,925
Net Assets Without Donor Restrictions, End of Year	$133,565,006	$135,211,321

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Salaries	$1,425,897	$ 459,968	$1,885,865	$1,432,555	$ 438,222	$1,870,777
Employee benefits (Note 8)	252,234	80,237	332,471	260,250	79,611	339,861
Professional services	195,067	161,948	357,015	412,450	185,141	597,591
Equipment and maintenance	-	71,058	71,058	184	93,085	93,269
Utilities, insurance and building maintenance	49,646	16,015	65,661	56,860	17,393	74,253
Travel	95,054	-	95,054	79,896	-	79,896
Director meetings expense	40,358	40,358	80,716	41,979	41,979	83,958
Other administrative expenses	156,517	15,281	171,798	177,240	16,802	194,042
Grants, Conferences and Publications						
Health professional education grants	2,831,164	-	2,831,164	2,473,678	-	2,473,678
President's discretionary grants	491,925	-	491,925	498,354	-	498,354
Matching gift grants	103,155	-	103,155	142,830	-	142,830
Macy faculty scholars grants and related expenses	1,575,397	-	1,575,397	1,625,522	-	1,625,522
Conference expenses	8,064	-	8,064	185,859	-	185,859
Publications	78,623	-	78,623	125,713	-	125,713
Organizational dues	26,880	-	26,880	26,880	-	26,880
Provision for taxes (Note 2)						
Current excise tax	-	53,621	53,621	-	50,939	50,939
Deferred excise tax liability	-	14,154	14,154	-	26,828	26,828
Depreciation	225,176	72,638	297,814	182,868	55,940	238,808
Total Expenses	$7,555,157	$ 985,278	$8,540,435	$7,723,118	$ 1,005,940	$8,729,058

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Decrease in net assets	$ (1,646,315)	$ (1,092,604)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	297,814	238,808
Net realized and unrealized gain on investments	(3,573,972)	(8,318,854)
Provision for deferred federal excise tax liability	5,915	26,828
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	46,024	(11,802)
Prepaid expenses and other assets	42,521	(42,926)
Grants payable	(90,139)	20,295
Other accrued liabilities	(58,593)	(68,481)
Net Cash Used By Operating Activities	(4,976,745)	(9,248,736)
Cash Flows From Investing Activities		
Purchases of investments	(35,556,922)	(38,563,000)
Proceeds from sales of investments	37,484,184	48,453,228
Payment for property and equipment additions	(607,353)	(42,284)
Net Cash Provided By Investing Activities	1,319,909	9,847,944
Net increase (decrease) in cash and cash equivalents	(3,656,836)	599,208
Cash and cash equivalents, beginning of year	4,718,997	4,119,789
Cash and Cash Equivalents, End of Year	$ 1,062,161	$ 4,718,997

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 - 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.

c - 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)

d - 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 net assets without donor restrictions unless their use is 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.

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 forty 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.

g - Financial Statement Presentation
The financial statements of the Foundation have been prepared in accordance with U.S. generally accepting accounting principles, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

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

g - Financial Statement Presentation (continued)

Net Assets With Donor Restrictions
Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

All of the Foundation's net assets at June 30, 2019 and 2018, are classified as net assets without donor restrictions.

h - Expense Allocations
The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting service benefited. Expenses are allocated directly to programs and supporting services, where applicable, on a reasonable and consistent basis. A substantial portion of the Foundation's expenses are directly related to program activities. Certain expenses are attributable to more than one program or supporting service and require allocation. Salaries, payroll taxes and benefits, are allocated based on estimates of employee time and effort, while utilities, insurance and building maintenance and depreciation are allocated on overall salary percentages.

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 June 18, 2020, the date that the financial statements are considered available to be issued.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

k - New Accounting Pronouncement

The Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Foundation opted to not disclose liquidity and availability information for 2018.

l - Comparative Financial Information

For comparability, certain 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2019.

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, 2019.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3 - Information Regarding Liquidity and Availability

The Foundation operates with a budget that is based on 5.75% of a 5 year rolling average of the Foundation's investment portfolio. The budget is reviewed at the midpoint of the year and adjustments are made if the investment portfolio's current performance is not aligned with the 5 year rolling average. Revenue to fund the annual budget expenditures comes from interest income, dividends and realized gains on the redemption of portfolio assets. The Foundation considers annual budget expenditures to consist of all expenses related to its ongoing program activities and expenses related to general and administrative activities.

The Foundation regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and along with the Foundation's Investment Committee reviews its liquidity profile on a regular basis to ensure it has sufficient cash to cover no less than 90 days of expenditures. Financial assets in excess of daily cash requirements are invested in money market funds as well as short term Treasury and government agency instruments.

The Foundation's financial assets as of June 30, 2019, and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

Financial Assets at Year End:	
Cash and cash equivalents	$ 1,062,161
Investments, at fair value	127,819,604
Due from broker	657,913
Accrued interest and dividends receivable	82,867
Total Financial Assets Available to Meet General Expenditures within One Year	$129,622,545

A significant portion of the Foundation's investments at fair value are redeemable based on terms that extend beyond a one year period (see Note 4).

Note 4 - Investments

The cost and fair value of investments were as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Fixed income	$ 17,427,994	$ 17,648,088	$ 20,402,704	$ 19,965,324
Equities - including investments measured at net asset value	46,820,828	51,716,116	49,643,478	55,094,945
Alternative assets - measured at net asset value	26,928,748	32,386,469	24,950,065	30,794,235
Liquidating investments - measured at net asset value	4,596,803	5,588,612	4,246,126	5,216,471
Hybrid investments - measured at net asset value	6,605,801	7,113,052	5,509,318	6,020,432
Private investments - measured at net asset value	7,751,232	9,683,469	5,253,665	6,271,597
Real assets - including investments measured at net asset value	2,779,753	3,683,798	2,375,879	3,247,206
Total	$112,911,159	$127,819,604	$112,381,235	$126,610,210

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 2019 and 2018, the Foundation committed to invest $9,800,000 and $16,500,000, 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, 2019, the Foundation committed to invest a total of $43,050,000 in private investment funds, of which approximately $21,336,000 of these commitments remain outstanding.

Investment fees of approximately $565,000 related to the alternative investments were netted against the unrealized appreciation in 2019. Such fees approximated $474,000 in 2018.

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

	2019			
	Fair Value	Level 1	Level 2	Level 3
Fixed income	$ 17,648,088	$17,648,088	$ -	$ -
Equities	12,959,998	12,959,998	-	-
Total Assets in Fair Value Hierarchy	30,608,086	$30,608,086	$ -	$ -
Investments measured at net asset value	97,211,518			
Total Investments	$127,819,604			

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4 - Investments (continued)

	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			

The alternative investments included in the Foundation's investment portfolio at June 30, 2019 and 2018 are redeemable based on the following terms and conditions:

	2019	2018
Monthly with 5 - 30 days' notice	$14,084,134	$14,517,422
Quarterly with 45 days' notice	3,346,933	3,721,469
Quarterly with 60 - 65 days' notice	14,159,773	14,630,081
Annually	14,621,461	12,060,222
Quarterly after eighteen months lock-up period	1,778,444	4,709,652
Quarterly after three-year lock-up period	11,308,088	11,200,363
Annually after three-year lock-up period	2,631,470	2,574,900
Every two years at anniversary of purchase	2,833,527	4,033,198
Every two years after two-year lock-up period	5,790,251	5,320,421
Every three years at anniversary of purchase	1,722,892	1,205,484
No opportunity for redemption: distributions made at fund's discretion	24,934,545	15,539,235
Total	$97,211,518	$89,512,447

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4 - Investments (continued)

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.

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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5 - Property and Equipment

Fixed assets at June 30 consist of the following:

	Life	2019	2018
Land		$1,922,700	$1,922,700
Buildings	40 years	1,291,072	1,291,072
Improvements	5 - 20 years	4,282,547	3,974,098
Furniture and fixtures	5 years	540,124	307,357
Website	5 years	153,911	87,774
Total		8,190,354	7,583,001
Less: Accumulated depreciation		(3,506,305)	(3,208,491)
Net Book Value		$4,684,049	$4,374,510

Note 6 - Grants Payable

Grants payable as of June 30, 2019 and 2018 are payable within one year.

During the year ended June 30, 2019, the Foundation's Board of Directors had authorized grants of $1,218,714. Of this amount, $647,556 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 $1,703,097.

Note 7 - 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 was paid to an institution during the years ended June 30, 2018. It is a Board mandated policy that Directors with relationships with institutions receiving grants abstain from voting on grants to those institutions.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 $115,080 and $128,552 were charged to operating expense for the years ended June 30, 2019 and 2018, 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 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. The Board of Directors and management are currently evaluating the potential impact that the resulting economic uncertainties will have on the Foundation's operations.