JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
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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, 2014 and 2013, 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, 2014 and 2013, 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 15, 2014

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
Assets		
Cash and cash equivalents (Notes 1c and 9)	$ 5,154,440	$ 4,178,538
Investments, at fair value (Notes 1d, 1e and 3)	143,372,196	134,360,932
Accrued interest and dividends receivable	7,679	15,657
Prepaid expenses and other assets	96,163	83,405
Property and equipment, at cost, less accumulated depreciation (Notes 1f and 4)	5,242,037	5,398,971
Total Assets	$153,872,515	$144,037,503
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 1g and 5)	$ 708,973	$ 578,044
Other accrued liabilities	93,985	70,755
Deferred federal excise tax (Note 2)	298,359	188,757
Accrued retirement benefits (Note 8)	2,988	4,490
Due to broker	23,093	19,398
Total Liabilities	1,127,398	861,444
Net Assets		
Unrestricted	152,745,117	143,176,059
Total Liabilities and Net Assets	$153,872,515	$144,037,503

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Revenue		
Dividends, interest and other income on investments	$ 2,183,699	$ 1,583,231
Net realized and unrealized gain on investments	17,148,359	14,009,687
Investment counsel and custodian fees	(815,337)	(795,549)
Provision for taxes (Note 2)		
Current excise tax	(73,183)	(41,055)
Deferred excise tax	(109,602)	(104,469)
Total Revenue	18,333,936	14,651,845
Expenses (Note 7)		
Salaries	1,501,932	1,367,240
Employee benefits (Note 8)	300,445	273,708
Professional services	169,824	277,807
Equipment and minor improvements	56,918	66,639
Utilities, insurance and building maintenance	76,602	69,795
Travel	85,131	83,162
Director meetings expense	51,337	53,107
Other administrative expenses	158,207	158,462
Depreciation	255,218	240,266
Grants and Conferences, and Publications		
Health professional education grants	3,693,978	3,762,814
Grant refunds	(51,963)	(144,489)
President's discretionary grants	494,200	499,608
Matching gift grants	150,240	181,710
Macy faculty scholars grants and related expenses	1,525,165	1,422,153
Conference expenses	164,951	144,888
Publications	86,873	148,445
Organizational dues	45,820	37,970
Total Expenses	8,764,878	8,643,285
Increase in net assets	9,569,058	6,008,560
Net assets, beginning of year	143,176,059	137,167,499
Net Assets, End of Year	$152,745,117	$143,176,059

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Increase in net assets	$ 9,569,058	$6,008,560
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	255,218	240,266
Net realized and unrealized gain on investments	(17,148,359)	(14,009,687)
Provision for deferred federal excise tax	109,602	104,469
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	7,978	58,972
Prepaid expenses and other assets	(12,758)	(15,757)
Grants payable	130,929	(57,750)
Other accrued liabilities	23,230	1,276
Accrued retirement benefits	(1,502)	2,093
Net Cash Used By Operating Activities	(7,066,604)	(7,667,558)
Cash Flows From Investing Activities		
Purchases of investments	(23,159,433)	(58,146,533)
Proceeds from sales of investments	31,300,223	62,980,283
Payment for property and equipment additions	(98,284)	(374,003)
Net Cash Provided By Investing Activities	8,042,506	4,459,747
Net increase (decrease) in cash and cash equivalents	975,902	(3,207,811)
Cash and cash equivalents, beginning of year	4,178,538	7,386,349
Cash and Cash Equivalents, End of Year	$ 5,154,440	$ 4,178,538

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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.

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, which 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.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds, as opposed to direct interests in those funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Fund’s interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near the measurement date. If the interests can be redeemed in the near term (within 90 days), the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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

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.

j - Subsequent Events
The Foundation has evaluated subsequent events through October 15, 2014, 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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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, 2014.

Management evaluated all income tax positions, including the position that the Foundation is exempt from income taxes or not subject to income taxes on unrelated business income, and concluded that no disclosures relating to uncertain tax positions were required in the financial statements. The Foundation's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

Note 3 - Investments

The cost and fair value of investments were as follows:

	2014		2013	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash and cash equivalents	$ 1,185,850	$ 1,185,850	$ 840,592	$ 840,592
Cash in transit	3,243,629	3,243,629	-	-
Capital appreciation:				
U.S. equity and mutual fund - large cap	8,158,477	14,104,733	7,537,167	11,172,363
U.S. equity - small/mid cap	5,581,938	7,134,810	5,969,172	7,640,797
Global equity mutual fund	6,237,122	9,599,242	6,450,561	8,282,797
Emerging markets equity mutual fund	6,308,442	7,172,228	5,217,021	5,624,977
Real assets - mutual fund	8,325,497	9,116,839	8,034,531	8,041,200
Deflation protection - fixed income	14,408,680	13,835,963	12,380,324	11,778,546
Alternative Investments:				
Capital appreciation:				
Global ex-U.S. equity	18,683,392	22,458,977	17,089,156	18,788,063
Emerging markets equity	5,326,461	6,279,763	5,233,384	5,328,612
Equity hedge funds	13,791,729	18,216,823	19,291,729	23,080,861
Private investments	439,800	501,829	-	-
Capital stability/opportunistic	14,872,918	21,832,243	19,872,919	25,518,247
Real assets	5,848,627	6,138,000	6,353,154	5,685,369
Illiquid stub balances	1,093,317	2,551,267	1,215,495	2,578,508
Total	$113,505,879	$143,372,196	$115,485,205	$134,360,932

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 3 - Investments (continued)

In Fiscal 2014 and 2013, the Foundation had 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 2014, the Foundation committed to invest $3,000,000 in a private investment fund, which makes periodic capital calls. Investment in this fund cannot be withdrawn, except upon consent of the private investment fund. As of June 30, 2014, approximately $2,562,000 of this commitment remains outstanding.

Investment fees of approximately $1,548,000 related to the alternative investments were netted against the unrealized appreciation in 2014. Such fees approximated $1,733,000 in 2013.

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:

	2014			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,185,850	$ 1,185,850	$ -	$ -
Cash in transit	3,243,629	3,243,629	-	-
Capital appreciation:				
U.S. equity and mutual fund - large cap	14,104,733	14,104,733	-	-
U.S. equity - small/mid cap	7,134,810	7,134,810	-	-
Global equity mutual fund	9,599,242	9,599,242	-	-
Emerging markets equity mutual fund	7,172,228	7,172,228	-	-
Real assets - mutual fund	9,116,839	9,116,839	-	-
Deflation protection - fixed income	13,835,963	13,835,963	-	-
Alternative Investments:				
Capital appreciation:				
Global ex-U.S. equity	22,458,977	-	22,458,977	-
Emerging markets equity	6,279,763	-	6,279,763	-
Equity hedge funds	18,216,823	-	18,216,823	-
Private investments	501,829	-	-	501,829
Capital stability/opportunistic	21,832,243	-	12,085,938	9,746,305
Real assets	6,138,000	-	6,138,000	-
Illiquid stub balances	2,551,267	-	-	2,551,267
	$143,372,196	$65,393,294	$65,179,501	$12,799,401

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 3 - Investments (continued)

	2013			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 840,592	$ 840,592	$ -	$ -
Capital appreciation:				
U.S. equity and mutual fund - large cap	11,172,363	11,172,363	-	-
U.S. equity - small/mid cap	7,640,797	7,640,797	-	-
Global equity mutual fund	8,282,797	8,282,797	-	-
Emerging markets equity mutual fund	5,624,977	5,624,977	-	-
Real assets - mutual fund	8,041,200	8,041,200	-	-
Deflation protection - fixed income	11,778,546	11,778,546	-	-
Alternative Investments:				
Capital appreciation:				
Global ex-U.S. equity	18,788,063	-	18,788,063	-
Emerging markets equity	5,328,612	-	5,328,612	-
Equity hedge funds	23,080,861	-	23,080,861	-
Capital stability/opportunistic	25,518,247	-	10,687,660	14,830,587
Real assets	5,685,369	-	5,685,369	-
Illiquid stub balances	2,578,508	-	-	2,578,508
	$134,360,932	$53,381,272	$63,570,565	$17,409,095

The following summarizes the changes in fair value of the Foundation's Level 3 investments for the years ended June 30, 2014 and 2013:

	Level 3	
	2014	**2013**
Balance, July 1	$17,409,095	$22,415,850
Realized gain	1,130,636	159,661
Unrealized gain	72,685	1,807,330
Purchases	439,800	2,750,000
Sales	(6,252,815)	(322,182)
Transfer from Level 3 to Level 2	-	(9,401,564)
Balance, June 30	$12,799,401	$17,409,095

The Foundation recognizes transfers between levels of the fair value hierarchy on the date of the event or changes in circumstances that caused the transfer. There were no transfers to or from level 1.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 3 - Investments (continued)

The alternative investments included in the Foundation's investment portfolio at June 30, 2014 and 2013 are redeemable based on the following terms and conditions:

	2014	2013
Level 2		
Monthly with 5 - 30 days' notice	$34,876,740	$29,802,044
Quarterly with 30 days' notice	3,470,864	3,148,978
Quarterly with 45 days' notice	11,213,846	16,273,651
Quarterly with 60 - 65 days' notice	15,618,051	14,345,892
Total Level 2	65,179,501	63,570,565
Level 3		
Annually	2,551,267	8,340,920
One year initial lockup; Annually at anniversary of purchase with 45 days' notice	3,117,956	2,932,038
Two year initial lockup; Annually with 45 days' notice	2,995,973	2,816,749
Every two years at anniversary of purchase	3,632,376	3,319,388
No opportunity for redemption: distributions made at fund's discretion	501,829	-
Total Level 3	12,799,401	17,409,095
Total	$77,978,902	$80.979.660

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.

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.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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.

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	2014	2013
Land		$1,922,700	$1,922,700
Buildings	40 years	1,291,072	1,291,072
Improvements	5 - 20 years	3,901,649	3,819,771
Furniture and fixtures	5 years	281,708	269,107
Website	5 years	73,274	69,469
Total		7,470,403	7,372,119
Less: Accumulated depreciation		(2,228,366)	(1,973,148)
Net Book Value		$5,242,037	$5,398,971

Note 5 - Grants Payable

Grants payable as of June 30, 2014 and 2013 are payable within one year.

During the year ended June 30, 2014, the Foundation's Board of Directors had authorized grants of $5,116,006. Of this amount, $2,632,811 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 $5,991,236.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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 $1,499,721 and $1,000,409 were paid to these institutions during the years ended June 30, 2014 and 2013, 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:

	2014	2013
Program services	$7,996,378	$7,853,188
Management and general	768,500	790,097
	$8,764,878	$8,643,285

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 $118,906 and $108,321 were charged to operating expense for the years ended June 30, 2014 and 2013, 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 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.

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NOTES TO FINANCIAL STATEMENTS

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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, 2014 and 2013.

Note 11 - 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.