JOSIAH MACY JR. FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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, 2011 and 2010, 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 Foundation. 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, 2011 and 2010, 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 19, 2011

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	2011	2010
Assets		
Cash and cash equivalents (Notes 1c and 9)	$ 1,871,743	$ 3,909,086
Investments, at fair value (Notes 1d and 3)	146,790,213	124,611,634
Due from broker	169,931	-
Accrued interest and dividends receivable	189,978	208,926
Prepaid expenses and other assets	125,644	66,509
Property and equipment, at cost, less accumulated depreciation (Notes 1e and 4)	4,885,149	4,961,140
Total Assets	$154,032,658	$133,757,295
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 1f and 5)	$ 707,237	$ 840,578
Other accrued liabilities	64,475	85,083
Deferred federal excise tax (Note 2)	269,073	10,180
Accrued retirement benefits (Note 8)	4,405	7,000
Due to broker	-	2,183,696
Total Liabilities	1,045,190	3,126,537
Net Assets		
Unrestricted	152,987,468	130,630,758
Total Liabilities and Net Assets	$154,032,658	$133,757,295

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Revenue		
Interest on investments	$ 1,023,263	$ 1,059,694
Dividends on investments	1,050,930	1,149,939
Net realized and unrealized gain on investments	29,367,088	15,557,544
Less: Investment counsel and custodian fees	(736,053)	(761,298)
Grant refunds	19,773	512
Total Revenue	30,725,001	17,006,391
Expenses (Note 7)		
Salaries	1,079,370	942,639
Employee benefits (Note 8)	236,790	293,802
Professional services	261,367	430,170
Equipment and minor improvements	52,348	62,648
Utilities, insurance and building maintenance	73,886	57,438
Other administrative expenses	128,894	149,186
Depreciation	154,055	129,583
Provision for taxes (Note 2)		
Current excise tax	46,710	61,421
Deferred excise tax	258,893	10,180
Grants and conferences, publications and program planning		
Health professional education grants	4,228,694	3,606,237
President's discretionary grants	500,000	500,000
Matching gift grants	159,750	169,500
Macy faculty scholars grants and related expenses	751,399	-
Conferences	198,441	185,520
Program planning	89,251	155,749
Publications	98,103	116,093
Organizational dues	50,340	44,620
Total Expenses	8,368,291	6,914,786
Increase in net assets	22,356,710	10,091,605
Net assets, beginning of year	130,630,758	120,539,153
Net Assets, End of Year	$152,987,468	$130,630,758

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities		
Increase in net assets	$ 22,356,710	$ 10,091,605
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	154,055	129,583
Net realized and unrealized gain on investments	(29,367,088)	(15,557,544)
Provision for deferred federal excise tax	258,893	10,180
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	18,948	66,823
Prepaid expenses and other assets	(59,135)	44,132
Grants payable	(133,341)	(98,132)
Other accrued liabilities	(20,608)	(81,944)
Accrued retirement benefits	(2,595)	1,642
Net Cash Used By Operating Activities	(6,794,161)	(5,393,655)
Cash Flows From Investing Activities		
Purchase of investments	(89,949,611)	(151,903,420)
Proceeds from sale of investments	94,784,493	159,979,346
Payment for property and equipment additions	(78,064)	(488,325)
Net Cash Provided By Investing Activities	4,756,818	7,587,601
Net increase (decrease) in cash and cash equivalents	(2,037,343)	2,193,946
Cash and cash equivalents, beginning of year	3,909,086	1,715,140
Cash and Cash Equivalents, End of Year	$ 1,871,743	$ 3,909,086

See notes to financial statements.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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, 2011 AND 2010

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, 2011 AND 2010

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 19, 2011, 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 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, 2011.

Note 2 - Income Tax Status (continued)

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.

Note 3 - Investments

The cost and fair value of investments were as follows:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 1,961,355	$ 1,961,355	$ 4,102,273	$ 4,102,273
Common stock	34,607,122	42,940,056	33,634,712	32,080,594
U.S. government and agency obligations	7,186,323	7,340,758	8,223,244	8,422,409
Corporate obligations	9,074,119	9,330,894	10,307,896	10,450,457
Mutual funds	24,264,413	30,335,102	26,670,650	24,020,289
Alternative investments	42,789,549	54,882,048	40,674,635	45,535,612
Total	$119,882,881	$146,790,213	$123,613,410	$124,611,634

In Fiscal 2011 and 2010, the Foundation had investments in alternative investments that include a limited partnership, 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 $1,642,000 related to the alternative investments were netted against the unrealized appreciation in 2011. Such fees approximated $1,157,000 in 2010.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 3 - Investments (continued)

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:

	2011			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,961,355	$ 1,961,355	$ -	$ -
Common stock	42,940,056	42,940,056	-	-
U.S. government and agency obligations	7,340,758	7,340,758	-	-
Corporate obligations	9,330,894	9,330,894	-	-
Mutual funds	30,335,102	30,335,102	-	-
Alternative investments	54,882,048	-	34,391,294	20,490,754
	$146,790,213	$91,908,165	$34,391,294	$20,490,754

	2010			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,102,273	$ 4,102,273	$ -	$ -
Common stock	32,080,594	32,080,594	-	-
U.S. government and agency obligations	8,422,409	8,422,409	-	-
Corporate obligations	10,450,457	10,450,457	-	-
Mutual funds	24,020,289	24,020,289	-	-
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, 2011 AND 2010

Note 3 - Investments (continued)

The following summarizes the changes in fair value of the Foundation's Level 3 investments for the years ended June 30, 2011 and 2010:

	Level 3	
	2011	2010
Balance, July 1	$18,049,135	$21,699,806
Realized gain	309,980	3,745,297
Unrealized gain (loss)	2,968,276	(1,448,711)
Purchases	-	5,000,000
Sales	(836,637)	(10,947,257)
Balance, June 30	$20,490,754	$18,049,135

Note 4 - Property and Equipment

Fixed assets at June 30 consist of the following:

	Life	2011	2010
Land	-	$1,922,700	$1,922,700
Buildings	40 years	1,291,072	1,291,072
Improvements	5 – 20 years	2,988,874	2,972,810
Furniture and fixtures	5 years	142,049	142,049
Website and software	5 years	62,000	-
Total		6,406,695	6,328,631
Less: Accumulated depreciation		(1,521,546)	(1,367,491)
Net Book Value		$4,885,149	$4,961,140

Note 5 - Grants Payable

Grants payable as of June 30, 2011 and 2010 are payable within one year.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 5 - Grants Payable (continued)

During the year ended June 30, 2011 the Foundation's Board of Directors had authorized grants of $4,738,472. Of this amount, $2,642,937 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 $5,891,078.

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 $1,213,797 and $1,648,647 were paid to these institutions during the years ended June 30, 2011 and 2010, 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:

	2011	2010
Program services	$7,196,084	$5,879,239
Management and general	1,172,207	1,035,547
	$8,368,291	$6,914,786

Note 8 - Retirement Plan

The Foundation has a noncontributory 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 $99,521 and $95,687 were charged to operating expense for the years ended June 30, 2011 and 2010, respectively.

JOSIAH MACY JR. FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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 - Line of Credit

In April 2011, the Foundation secured a $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, 2011.

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.