

# **Eugene and Agnes E. Meyer Foundation**

**Financial Statements**

**December 31, 2014 and 2013**

**Eugene and Agnes E. Meyer Foundation**  
**Index**  
**December 31, 2014 and 2013**

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	<b>Page(s)</b>
Independent Auditor's Report .....	1-2
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-16



## Independent Auditor's Report

To the Board of Directors of the  
Eugene and Agnes E. Meyer Foundation:

We have audited the accompanying financial statements of The Eugene and Agnes E. Meyer Foundation ("the Foundation"), which comprise the balance sheets as of December 31, 2014 and December 31, 2013, and the related statements of activities and of cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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 from 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 our 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, we consider internal control relevant to the Foundation'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 Foundation'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 the Foundation at December 31, 2014 and December 31, 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.

*PricewaterhouseCoopers LLP*

July 9, 2015

**Eugene and Agnes E. Meyer Foundation**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

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	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 223,366	\$ 1,718,560
Accounts receivable	204,059	292,475
Prepays and deposits	401,946	249,496
Investment trade receivable	7,080,986	631,029
Investments	217,117,850	218,839,719
Property and equipment, net	890,043	1,077,457
Total assets	<u>\$ 225,918,250</u>	<u>\$ 222,808,736</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 171,225	\$ 179,365
Grants payable	1,591,500	635,000
Deferred revenue	148,409	-
Total current liabilities	1,911,134	814,365
Long-term liabilities		
Grants payable, net	221,050	461,120
Deferred rent liability	692,253	745,421
Deferred excise taxes on unrealized gains	1,075,884	445,777
Deferred compensation	354,241	335,072
Total long-term liabilities	2,343,428	1,987,390
Total liabilities	4,254,562	2,801,755
Unrestricted net assets	219,004,088	220,006,981
Temporarily restricted net assets	2,659,600	-
Total net assets	<u>221,663,688</u>	<u>220,006,981</u>
Total liabilities and net assets	<u>\$ 225,918,250</u>	<u>\$ 222,808,736</u>

The accompanying notes are an integral part of these financial statements.

**Eugene and Agnes E. Meyer Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>						
Dividends and interest on investments	\$ 3,598,261	\$ -	\$ 3,598,261	\$ 3,286,531	\$ -	\$ 3,286,531
Unrealized (loss) /gains on investments	(8,199,326)	-	(8,199,326)	22,288,861	-	22,288,861
Realized gains on sale of investments	16,704,156	-	16,704,156	9,005,481	-	9,005,481
Contributions	-	5,739,000	5,739,000	-	-	-
Other	141,613	-	141,613	14,681	-	14,681
Net assets released from restriction	3,079,400	(3,079,400)	-	-	-	-
<b>Total revenue</b>	<b>15,324,104</b>	<b>2,659,600</b>	<b>17,983,704</b>	<b>34,595,554</b>	<b>-</b>	<b>34,595,554</b>
<b>Expenses</b>						
Program	12,493,525	-	12,493,525	8,587,546	-	8,587,546
Management and general						
Investing activities	2,471,236	-	2,471,236	2,256,292	-	2,256,292
Deferred excise taxes on unrealized gains	630,107	-	630,107	105,451	-	105,451
Other management and general	732,129	-	732,129	658,794	-	658,794
Subtotal management and general	3,833,472	-	3,833,472	3,020,537	-	3,020,537
<b>Total expenses</b>	<b>16,326,997</b>	<b>-</b>	<b>16,326,997</b>	<b>11,608,083</b>	<b>-</b>	<b>11,608,083</b>
Change in net assets	(1,002,893)	2,659,600	1,656,707	22,987,471	-	22,987,471
Net assets at beginning of year	220,006,981	-	220,006,981	197,019,510	-	197,019,510
Net assets at end of year	\$ 219,004,088	2,659,600	\$ 221,663,688	\$ 220,006,981	\$ -	\$ 220,006,981

The accompanying notes are an integral part of these financial statements.

**Eugene and Agnes E. Meyer Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2014 and 2013**

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	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 1,656,707	\$ 22,987,471
Adjustments to reconcile increase in net assets to net cash and cash equivalents used in operating activities		
Depreciation	198,908	189,184
Fixed asset disposal	5,295	-
Amortization of grants discount	4,930	(3,205)
Realized gains on investments	(16,704,156)	(9,005,481)
Unrealized loss (gains) on investments	8,199,326	(22,288,861)
Increase in deferred excise tax expense	630,107	105,451
Decrease (increase) in accounts receivable	88,416	(6,000)
(Increase) decrease in prepaids and deposits	(152,450)	93,733
Decrease in deferred rent	(53,168)	(29,161)
Increase in deferred compensation	19,169	77,482
Increase in deferred revenue	148,409	-
Decrease in accounts payable and accrued expenses	(8,140)	(879)
Increase in grants payable	711,500	7,499
Net cash and cash equivalents used in operating activities	<u>(5,255,147)</u>	<u>(7,872,767)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(16,789)	(28,950)
Increase in investment trade receivable	(6,449,957)	(395,956)
Proceeds from sale and maturities of investments	36,356,647	19,722,091
Purchase of investments	(26,129,948)	(13,279,359)
Net cash and cash equivalents provided by investing activities	<u>3,759,953</u>	<u>6,017,826</u>
Net decrease in cash and cash equivalents	(1,495,194)	(1,854,941)
Cash and cash equivalents at beginning of year	<u>1,718,560</u>	<u>3,573,501</u>
Cash and cash equivalents at end of year	<u>\$ 223,366</u>	<u>\$ 1,718,560</u>

The accompanying notes are an integral part of these financial statements.

# Eugene and Agnes E. Meyer Foundation

## Notes to Financial Statements

### December 31, 2014 and 2013

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#### 1. Organization

The Eugene and Agnes E. Meyer Foundation (the Foundation) was established in 1944. It is a private foundation engaged in making grants for charitable and educational purposes in response to the changing needs of the Washington, D.C. metropolitan community. The Foundation's capital was originally provided, and was later substantially augmented, by contributions from Mr. and Mrs. Eugene Meyer, from whom the Foundation takes its name.

#### 2. Significant Accounting Policies

##### **Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

##### **Basis of Presentation**

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, Not-for-Profit Entities (ASC 958). ASC 958 specifies that financial statements provided by not-for-profit organizations include statements of financial position, statements of activities, and statements of cash flows.

##### **Classification of Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted* – Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted* – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

##### **Cash and Cash Equivalents**

The Foundation considers all highly-liquid investments held directly by the Foundation with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents held by brokers are classified as investments.

##### **Grants**

The Foundation accrues for grant obligations. Long-term grant pledges for future years are recorded net of discounts to present value (Note 10).

##### **Revenue Recognition**

Revenue consists primarily of investment activity. All revenue is recognized when earned.



# Eugene and Agnes E. Meyer Foundation

## Notes to Financial Statements

### December 31, 2014 and 2013

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#### **Contributions**

Contributions received are measured at their fair market values. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions with accompanying donor restrictions are reported as increases in the appropriate category of net assets. The Foundation received contributions of \$ 5,739,000 and \$4,935 in 2014 and 2013, respectively.

As part of the wind-down activities of the Freddie Mac Foundation, the Meyer Foundation received a grant in April 2014. Meyer, at its discretion, was asked to re-grant those funds as part of the Children and Family Capacity-Building Initiative (CFCBI). The CFCBI was developed in an effort to assist nonprofit organizations to build capacity to ensure long term sustainability. The Meyer Foundation expects to commit all CFCBI funds by the end of 2015.

Additionally, in December 2014, Meyer received a \$25,000 grant from the Acacia Foundation. Acacia requested that Meyer, at its discretion, re-grant those funds in 2015 to between one and three nonprofit organizations working in the area of education and serving students from low-income families.

Grant funds received but not granted by the end of 2014 are designated as temporarily restricted net assets.

#### **Deferred Compensation Plan**

Funds held for the Foundation's Section 457(b) deferred compensation plan are included in the Foundation's investment accounts.

#### **Leases and Leasehold Improvements**

The Foundation accounts for its leases in accordance with the FASB ASC Topic 840, Leases (ASC 840) and subsequent amendments, which require that leases be evaluated and classified as operating leases or capital leases for financial reporting purposes. The Foundation's office lease is accounted for as an operating lease. The office lease contains certain provisions for incentive payments and future rent increases, among other provisions. The total amount of rental payments due over the lease term is being charged to rent expense on a straight-line basis over the term of the lease. The difference between the rent expense recorded and the amount paid is credited or charged to "Deferred Rent Liability" in the Statement of Financial Position. In addition, the allocation for leasehold improvements associated with this operating lease is amortized over the lease term.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and (3) the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those amounts. A significant item subject to such estimates and assumptions is the value of nontraditional investments. Actual results could differ materially, in the near term, from the amounts reported.

#### **Income Taxes**

The Foundation is exempt from income taxes under the provision of Section 501(c) (3) of the Internal Revenue Code. The Foundation had no unrelated business income during the years ended December 31, 2014 and 2013; accordingly, no provision for income taxes is provided in the

**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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accompanying financial statements. However, as discussed in Note 9, the Foundation is subject to excise tax obligations.

The Foundation implemented the provisions of the FASB ASC Topic 740, Income Taxes (ASC 740). The Foundation concluded there were no material open positions that required recognizing an asset or liability in the Statement of Financial Position at December 31, 2014 and 2013.

**Allocation of Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The natural classification of expenses during 2014 and 2013 is as follows:

	<b>Year ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Grants	\$10,061,550	\$6,313,490
Personnel	1,650,317	1,726,532
Investment management fees	1,944,906	1,790,641
Federal excise tax on investment income	262,567	255,000
Deferred federal excise tax on unrealized gains	630,107	105,451
Office expenses	1,459,200	1,247,068
Professional fees	318,350	169,901
Total expenses	<u>\$16,326,997</u>	<u>\$11,608,083</u>

**3. Accounts Receivable**

As of December 31, 2014 and 2013, accounts receivable consists of \$177,270 and \$291,499 in interest/dividends receivable from investments, respectively. As of December 31, 2014 and 2013, there was \$26,789 and \$976 in miscellaneous accounts receivable, respectively.

**4. Investments**

Investments, including alternative investments, are reported at fair value in accordance with the FASB ASC Topic 820, Fair Value Measurements and Disclosures (ASC 820).

The Foundation determines a valuation estimate based on techniques and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the funds and fund custodians may also use established procedures for determining the fair value of securities which reflect their own assumptions. Management makes best estimates based on information available. The following estimates and assumptions were used to determine the fair value of financial instruments listed above:

- **Cash Equivalents** – Cash equivalents consist of deposits in money market funds and short-term U.S. Treasury issues. These are priced using quoted prices in active markets and are classified as Level 1.
- **Fixed Income Securities** – Fixed income securities include, but are not limited to, U.S. Treasury issues, U.S. Government Agency issues, corporate debt, mortgage backed securities, asset backed securities, municipal bonds and fixed income mutual funds. These

**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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assets are valued using quoted prices in active markets for similar securities and are classified as Level 1, 2 or 3.

- Equity Investments – Equity investments consist of, but are not limited to, mutual funds, separate accounts, common trust funds and hedge funds. These assets consist of both publicly traded and privately held securities.
  - Publicly traded securities – These investments consist of domestic and foreign equity holdings. Securities traded on active exchanges are priced using unadjusted market quotes for identical assets and are classified as Level 1. Securities that are traded infrequently or that have comparable traded assets are priced using available quotes and other market data that are observable and are classified as Level 2.
  - Privately held securities – These investments consist of hedge funds or other funds which are privately held where no market exists. The valuations of the hedge funds are calculated by the investment managers based on valuation techniques that take into account the market value of the underlying assets to arrive at a net asset value for shares. The funds are limited partnerships and shares may not be readily redeemable. These investments are generally classified as Level 2 or 3.
- Real Assets – Real assets consist of a blend of inflation sensitive equities, commodities, and inflation-linked bonds. Real assets are valued using (1) quoted prices in active markets, or (2) are priced using available quotes and other market data that are observable for financial instruments that are traded infrequently or that have comparable traded assets. Real assets are classified as Level 2.

At December 31, 2014, investments consisted of the following:

Cash and cash equivalents	\$	1,321,113
Equity - Domestic		60,811,963
Equity - International		73,849,031
Equity - Absolute return		35,338,372
Equity - Real assets		17,878,751
Fixed income - Corporate debt securities		6,230,793
Fixed income - US government bonds		18,351,681
Fixed income - Convertible bonds		1,604,568
Fixed income - International		1,731,578
Total investments	\$	<u>217,117,850</u>

# Eugene and Agnes E. Meyer Foundation

## Notes to Financial Statements

### December 31, 2014 and 2013

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At December 31, 2013, investments consisted of the following:

Cash and cash equivalents	\$	2,521,548
Equity - Domestic		60,125,753
Equity - International		78,948,458
Equity - Absolute return		30,588,767
Equity - Real assets		11,770,196
Fixed income - Corporate debt securities		11,816,418
Fixed income - US government bonds		18,413,520
Fixed income - Convertible bonds		2,557,612
Fixed income - International		<u>2,097,447</u>
Total investments	\$	<u>218,839,719</u>

#### 5. Fair Value

The Foundation has implemented ASC 820, which clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. The hierarchy established under the Standard gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the Standard, and its applicability to the Foundation's investments, are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets. Assets and liabilities classified as Level 1 generally include listed equities. Level 1 also includes cash and cash equivalents given the short maturity of these investments.
- Level 2 Quoted market prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Also, assets and liabilities classified as Level 2 generally include fixed income securities or partnerships that hold Level 1 assets.
- Level 3 Pricing inputs that are unobservable for the asset and reflect certain assumptions to determine fair value. Assets classified as Level 3 include the Foundation's marketable alternative investments subject to lock up or other liquidity constraints and its private accounts. The fair market value of the Foundation's share in private accounts is determined by using the Foundation's percentage of the partnerships' estimated fair value as disclosed in the partnerships' audited financial statements. The investments in these partnerships may include derivatives and certain private investments which do not trade on public markets and therefore may be subject to greater liquidity risk.

Realized and unrealized gains and losses from these investments are reported in the Statement of Activities as they occur.

The Foundation's alternative investments, which consist primarily of absolute return funds, are valued at the measurement date by using Net Asset Value (NAV) as a practical expedient. The Foundation also values its interest in domestic and international partnerships by using NAV or its equivalent as a practical expedient. The fair value of these assets was \$115,310,840 and \$111,337,467 at December 31, 2014 and 2013, respectively. There were no unfunded

**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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commitments associated with these funds at December 31, 2014 or 2013. At December 31, 2014, the Foundation was not eligible to redeem from three absolute return funds with a fair value of \$9,632,542. At December 31, 2013, the Foundation was not eligible to redeem from three absolute return funds with a fair value of \$8,806,068.

Additionally, at December 31, 2014, the Foundation held investments in funds that consisted of side pockets totaling \$1,093,719, which were unavailable for redemption. Redemption frequency for all other funds ranges from monthly to annually with 30 to 60 days notice.

The following table is a summary of the levels used as of December 31, 2014 and 2013 in valuing the Foundation's assets carried at fair value:

For the year ended December 31, 2014:

Investment	Measurement at Fair Value			
	Level 1	Level 2	Level 3	Total
Equity - Domestic	\$ 9,397,363	\$ 51,414,600	\$ -	\$ 60,811,963
Equity - International	34,256,958	39,589,387	2,686	73,849,031
Equity - Absolute Return	-	28,462,418	6,875,954	35,338,372
Equity - Real Assets	-	10,357,650	7,521,101	17,878,751
Fixed Income - Domestic	-	26,052,673	134,369	26,187,042
Fixed Income - International	-	1,244,572	487,006	1,731,578
Cash and Cash Equivalents	1,321,113	-	-	1,321,113
Total	<u>\$ 44,975,434</u>	<u>\$ 157,121,300</u>	<u>\$ 15,021,116</u>	<u>\$ 217,117,850</u>

**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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For the year ended December 31, 2013:

Investment	Measurement at Fair Value			
	Level 1	Level 2	Level 3	Total
Equity - Domestic	\$ 12,618,554	\$ 47,507,198	\$ -	\$ 60,125,752
Equity - International	35,168,849	43,778,528	1,082	78,948,459
Equity - Absolute Return	-	22,800,264	7,788,503	30,588,767
Equity - Real Assets	-	11,770,196	-	11,770,196
Fixed Income - Domestic	899,973	31,873,208	14,369	32,787,550
Fixed Income - International	-	1,707,403	390,044	2,097,447
Cash and Cash Equivalents	2,521,548	-	-	2,521,548
Total	<u>\$ 51,208,924</u>	<u>\$ 159,436,797</u>	<u>\$ 8,193,998</u>	<u>\$ 218,839,719</u>

The following are reconciliations of Level 3 assets for which unobservable inputs were used to determine fair value for the years ended December 31, 2014 and 2013. The table represents the activity of Level 3 securities held at the beginning and the end of each period:

**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

	Equity - Real Assets	Equity - International	Equity - Absolute Return	Fixed Income - Domestic	Fixed Income - International
Balance at 12/31/2012	\$ -	\$ -	\$ 6,976,802	\$ -	\$ -
Purchases	-	1,082	-	-	384,376
Redemptions	-	-	(250,024)	-	-
Gains (Losses)					
Realized	-	-	2,134	-	-
Unrealized	-	-	1,059,591	-	-
Transfers in/(out)	-	-	-	14,369	5,668
Balance at 12/31/2013	<u>\$ -</u>	<u>\$ 1,082</u>	<u>\$ 7,788,503</u>	<u>\$ 14,369</u>	<u>\$ 390,044</u>
Balance at 12/31/2013	\$ -	\$ 1,082	\$ 7,788,503	\$ 14,369	\$ 390,044
Purchases	6,500,000	1,604	1,000,000		
Redemptions			(255,480)		
Gains (Losses)					
Realized	269,693				
Unrealized			(1,657,069)		(34,208)
Transfers in/(out)	751,408			120,000	131,170
Balance at 12/31/2014	<u>\$ 7,521,101</u>	<u>\$ 2,686</u>	<u>\$ 6,875,954</u>	<u>\$ 134,369</u>	<u>\$ 487,006</u>

Transfers in and out of Level 3 are typically the result of a change in liquidity or the availability and the ability to observe market data which is considered a significant valuation input required by various models. Generally, as markets evolve, the data required to support valuations becomes more widely available and observable.

**6. Furniture and Equipment**

Acquisitions of property and equipment greater than \$1,000 are recorded at cost and depreciated or amortized using the straight-line method over the following useful lives: technology equipment – 3 to 7 years; furniture and fixtures – 10 years. The Foundation accounts for web site development costs in accordance with the provisions of the FASB ASC Sub Topic 350-50, Website Development Costs (ASC 350-50), which requires that certain costs to develop web sites be capitalized or expensed, depending on the nature of the costs. Amortization of web site development costs is based on the straight-line method over the estimated useful life of seven years.

**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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Furniture and computer equipment at December 31, 2014 and 2013 consists of the following:

	<b>2014</b>	<b>2013</b>
Leasehold Improvements and Furniture	\$ 1,661,957	\$ 1,661,957
Computer Equipment	356,856	350,484
Less: accumulated depreciation	<u>(1,128,770)</u>	<u>(934,984)</u>
	<u>\$ 890,043</u>	<u>\$ 1,077,457</u>

Total depreciation expense for 2014 and 2013 was \$198,908 and \$189,184, respectively.

**7. Related Parties**

During 2014 and 2013, grants were paid to certain organizations with which selected Foundation directors are associated. Grants paid to such organizations were \$565,000 and \$638,000 in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Foundation has committed to make additional payments of \$30,000 and \$175,000 to such organizations in the future. In keeping with Foundation policy, directors associated with applicant organizations recuse themselves from the related grant making decisions.

**8. Retirement Plan**

The Foundation funds a defined contribution pension plan for its full-time employees and qualifying part-time employees. Annually, the Foundation contributes ten percent of employees' total salary to the plan. Employees are fully vested after six months of employment. Pension expense was \$112,243 and \$113,938 in 2014 and 2013, respectively.

**9. Federal Excise Taxes**

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes pursuant to Section 501(a) of the Code. The Foundation is a private foundation within the meaning of Section 509(a) of the Code and, accordingly, is subject to an excise tax on investment income under Section 4940(a).

The Foundation's investment income, reduced by certain allowable expenses, is subject to excise tax at a rate of either 1% or 2% of investment income. The Foundation was required to pay excise tax at the 2% rate in 2014 and 2013.

Payments for excise taxes were \$262,567 and \$255,000 in the years ended December 31, 2014 and 2013, respectively. There was a prepaid tax balance of \$232,037 and \$355,000 at the end of 2014 and 2013, respectively.

The Foundation is also required to make minimum annual grants to organizations or other qualifying distributions within certain time periods. The required distribution is 5% of the average fair market value of investment assets, less the excise tax on investment income. As of December 31, 2014 and 2013, in the opinion of management, the Foundation was in compliance with the applicable minimum distribution requirements.



**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**10. Commitments**

In 2008, the Foundation entered into a new lease for office space that commenced October 15, 2008 and will end February 28, 2021. The lease carries renewal provisions. Rental payments may be adjusted for increases in taxes and operating costs above specified amounts in the future minimum lease payments listed below. Rental expense was \$655,989 and \$650,034 for the years ended 2014 and 2013, respectively. Future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year as of December 31, 2014 are as follows:

Year ending December 31,	
2015	\$ 703,622
2016	719,362
2017	735,619
2018	752,187
2019	769,066
Thereafter	<u>786,463</u>
	<u>\$ 4,466,319</u>

As of December 31, 2014, the Foundation has made pledges for future grant disbursements as follows:

Year ending December 31,	
2015	\$1,591,500
2016	125,000
2017	<u>100,000</u>
	<u>\$1,816,500</u>

Long-term grants payable are reported net of discounts. The discount is calculated using a rate in accordance with ASC 820 on the date the grant is awarded. The discount is applied over the life of the grant.

**Eugene and Agnes E. Meyer Foundation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**11. Net Assets**

Temporarily restricted net assets consist of the following at December 31, 2014 and 2013:

	\$	2,014	2013
Capacity Building	\$	2,659,600	\$ -
	\$	<u>2,659,600</u>	<u>\$ -</u>

**12. Deferred Excise Tax**

During 2014, the Foundation determined there was an error in the calculation for deferred excise taxes. As a result, management has corrected this error by recording an out of period tax adjustment of \$794,073 during the year ended December 31, 2014. Management concluded that the impact of the adjustment is not material to either the 2014 or 2013 financial statements.

**13. Subsequent Events**

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events and transactions through July 9, 2015, the date the financial statements were available to be issued. Management has determined no additional disclosures and/or adjustments are required.