

**Eugene and Agnes E. Meyer Foundation**

Financial Statements

December 31, 2015

## Independent Auditors' Report

### **The Board of Directors 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 statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eugene and Agnes E. Meyer Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Prior Period Financial Statements***

The financial statements as of December 31, 2014, were audited by other auditors, and whose report dated July 9, 2015 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

May 23, 2016

## Eugene and Agnes E. Meyer Foundation

Statement of Financial Position  
December 31, 2015  
(with comparative amounts at December 31, 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 63,858	\$ 223,366
Accounts and interest receivable	413,252	204,059
Prepaid expenses and deposits	107,839	169,909
Prepaid federal excise tax	173,000	232,037
Due from investment manager	339,446	7,080,986
Investments	202,717,312	217,117,850
Property and equipment, net	<u>731,800</u>	<u>890,043</u>
	<u>\$ 204,546,507</u>	<u>\$ 225,918,250</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 158,204	\$ 171,225
Grants payable, net	2,839,334	1,812,550
Deferred revenue	75,396	148,409
Deferred federal excise tax	733,103	1,075,884
Deferred rent	621,827	692,253
Deferred compensation	<u>377,760</u>	<u>354,241</u>
Total Liabilities	<u>4,805,624</u>	<u>4,254,562</u>
Net Assets		
Unrestricted	199,570,283	219,004,088
Temporarily restricted	<u>170,600</u>	<u>2,659,600</u>
	<u>199,740,883</u>	<u>221,663,688</u>
	<u>\$ 204,546,507</u>	<u>\$ 225,918,250</u>

See notes to financial statements

## Eugene and Agnes E. Meyer Foundation

### Statement of Activities Year Ended December 31, 2015 (with summarized totals for the year ended December 31, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Investment Income				
Dividends and interest	\$ 2,952,721	\$ -	\$ 2,952,721	\$ 3,598,261
Net realized gains on sale of investments	7,383,674	-	7,383,674	16,704,156
Unrealized loss on investments	<u>(17,139,017)</u>	<u>-</u>	<u>(17,139,017)</u>	<u>(8,199,326)</u>
	(6,802,622)	-	(6,802,622)	12,103,091
Less investment expenses	<u>1,349,309</u>	<u>-</u>	<u>1,349,309</u>	<u>1,944,906</u>
Net Investment Income	(8,151,931)	-	(8,151,931)	10,158,185
Contributions	292	40,000	40,292	5,739,000
Other income	99,144	-	99,144	141,613
Net assets released from restrictions	<u>2,529,000</u>	<u>(2,529,000)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>(5,523,495)</u>	<u>(2,489,000)</u>	<u>(8,012,495)</u>	<u>16,038,798</u>
 <b>EXPENSES</b>				
Grant awards	10,733,975	-	10,733,975	10,061,550
Direct charitable activities	2,500,213	-	2,500,213	2,431,975
Operations and governance	916,034	-	916,034	995,892
Federal excise tax	102,869	-	102,869	262,567
(Benefit) provision for deferred federal excise tax	<u>(342,781)</u>	<u>-</u>	<u>(342,781)</u>	<u>630,107</u>
Total Expenses	<u>13,910,310</u>	<u>-</u>	<u>13,910,310</u>	<u>14,382,091</u>
 Change in Net Assets	 (19,433,805)	 (2,489,000)	 (21,922,805)	 1,656,707
 <b>NET ASSETS</b>				
Beginning of year	<u>219,004,088</u>	<u>2,659,600</u>	<u>221,663,688</u>	<u>220,006,981</u>
End of year	<u>\$ 199,570,283</u>	<u>\$ 170,600</u>	<u>\$ 199,740,883</u>	<u>\$ 221,663,688</u>

See notes to financial statements

## Eugene and Agnes E. Meyer Foundation

Statement of Cash Flows  
Year Ended December 31, 2015  
(with comparative amounts for the year ended December 31, 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$(21,922,805)	\$ 1,656,707
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	178,555	198,908
Loss on disposal of property and equipment	-	5,295
Grant discount	(2,716)	4,930
Net realized gains on sale of investments	(7,383,674)	(16,704,156)
Deferred rent	(70,426)	(53,168)
Unrealized loss on investments	17,139,017	8,199,326
Deferred federal excise tax	(342,781)	630,107
Net changes in operating assets and liabilities		
Accounts and interest receivable	(209,193)	88,416
Prepaid expenses and deposits	62,070	(152,450)
Prepaid federal excise tax	59,037	-
Accounts payable and accrued expenses	(13,021)	(8,140)
Grants payable	1,029,500	711,500
Deferred revenue	(73,013)	148,409
Deferred compensation	23,519	19,169
Net Cash From Operating Activities	(11,525,931)	(5,255,147)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(20,312)	(16,789)
Decrease (increase) in due to investment manager	6,741,540	(6,449,957)
Purchase of investments	(50,677,290)	(26,129,948)
Proceeds from sale of investments	55,322,485	36,356,647
Net Cash From Investing Activities	11,366,423	3,759,953
Net Change in Cash and Cash Equivalents	(159,508)	(1,495,194)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	223,366	1,718,560
End of year	\$ 63,858	\$ 223,366
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Federal excise taxes paid	\$ 250,000	\$ 570,500

See notes to financial statements

# Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

## 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.

The Foundation is exempt from federal income taxes under Section 501(c)(3) and 509(a) of the Internal Revenue Code and has been further classified as a "private foundation." The Foundation is subject to an excise tax on its net investment income. Excise taxes consist of two components: current taxes based upon net investment income and deferred taxes which arise from the difference between the tax cost of the investments and the fair value of the investments.

## 2. Summary of Significant Accounting Policies

### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly actual results could differ from those estimates.

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

Cash and cash equivalents represent short-term investments with maturities at the time of purchase of three months or less. At times, cash balances may be in excess of FDIC insurance limit.

### ***Fair Value Measurements***

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

## Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Fair Value Measurements (continued)***

During 2015, the Foundation adopted new U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

#### ***Investment and Income Recognition***

Investments, other than temporary cash investments, are carried at fair value. Temporary cash investments are valued at cost plus accrued interest. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Investments Risks and Uncertainties***

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees’ financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.



## Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Property and Equipment***

Furniture and equipment are carried at cost. Leasehold improvements are depreciated over the lesser of the life of the asset or the term of the lease. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which ranges from 3 to 10 years. Physical assets acquired with costs in excess of \$1,000 and having a period of benefit in excess of one year are capitalized.

#### ***Grant Expense***

The Foundation recognizes grant expense upon award of the grant. Grant pledges for future years are recorded net of discounts to present value.

#### ***Deferred Compensation Plan***

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

#### ***Presentation of Net Assets***

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation's net assets and changes therein are classified as permanently restricted, temporarily restricted or unrestricted. Unrestricted net assets do not have donor-imposed restrictions. Temporarily restricted net assets are subject to donor restrictions that are expected to be satisfied by passage of time or actions of the Foundation. Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated amounts for a specified purpose. The Foundation does not have any permanently restricted net assets.

#### ***Contributions***

Contributions are recorded when received and as temporarily restricted support if they are received with donor stipulations that limit the use of the contribution or that have time restrictions. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is received.

## Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Functional Allocation of Expenses***

The costs of providing various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services benefited.

#### ***Reclassifications***

Reclassifications of certain prior year amounts have been made to conform to the current year presentation.

#### ***Accounting for Uncertainty in Income Taxes***

The Foundation's accounting policy is to provide liabilities for uncertain income tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as a foundation exempt from income taxes. The Foundation is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2012.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 23, 2016.

### 3. Concentration of Credit Risk

The Foundation's cash, cash equivalents and investments are potentially exposed to concentrations of credit risk. The Foundation invests its cash and equivalents with quality financial institutions. The Foundation invests in common stocks, mutual funds, limited partnerships, bonds and notes issued by financially strong entities, the United States, and foreign governments. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

## Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 4. Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

Description	2015		
	Level 1	Level 2	Total
Equities	\$ 10,912,645	\$ -	\$ 10,912,645
Preferred stocks	-	92,135	92,135
Foreign government obligations	-	732,665	732,665
Corporate obligations	-	6,932,456	6,932,456
Mutual Funds			
Global long/short	3,905,591	-	3,905,591
Real assets	9,039,647	-	9,039,647
Equity	21,145,729	-	21,145,729
Hedge Funds (1)			
Equities	-	-	51,625,207
Event driven	-	-	12,673,642
Credit driven/distressed	-	-	2,641,017
Open mandate	-	-	5,317,387
Global long/short	-	-	55,148,542
Fixed income	-	-	16,484,644
Real assets	-	-	5,276,980
Total Investments at Fair Value	<u>\$ 45,003,612</u>	<u>\$ 7,757,256</u>	201,928,287
Certificates of deposit, at cost plus interest			261,852
Cash held for investment, at cost			<u>527,173</u>
Total Investments			<u>\$ 202,717,312</u>
Description	2014		
	Level 1	Level 2	Total
Equities	\$ 14,179,203	\$ -	\$ 14,179,203
Preferred stocks	-	143,046	143,046
Foreign government obligations	-	1,043,931	1,043,931
Corporate obligations	-	8,615,766	8,615,766
Mutual funds - equity	29,401,100	-	29,401,100
Hedge Funds (1)			
Equities	-	-	39,575,150
Event driven	-	-	8,929,295
Credit driven/distressed	-	-	3,000,401
Open mandate	-	-	5,367,706
Global long/short	-	-	64,386,445
Fixed income	-	-	18,351,681
Real assets	-	-	17,878,751
Global marco	-	-	4,924,532
Total Investments at Fair Value	<u>\$ 43,580,303</u>	<u>\$ 9,802,743</u>	215,797,007
Certificates of deposit, at cost plus interest			260,803
Cash held for investment, at cost			<u>1,060,040</u>
Total Investments			<u>\$ 217,117,850</u>

## Eugene & Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 4. Investments *(continued)*

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Information regarding investments valued at NAV using the practical expedient at December 31, 2015 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities (see "a" below)	\$ 51,625,207	\$ -	Weekly - quarterly	30-60 days
Event driven (see "b" below)	12,673,642	-	Quarterly - annually	Minimum of 45 days
Credit driven/distressed (see "c" below)	2,641,017	-	Annually	Minimum of 45 days
Open mandate (see "d" below)	5,317,387	-	Annually	90 days
Global long/short (see "e" below)	55,148,542	-	Quarterly - annually	30 days
Fixed income (see "f" below)	16,484,644	-	Daily	2 days
Real assets (see "g" below)	5,276,980	-	Monthly	Minimum of 30 days
	<u>\$ 149,167,419</u>	<u>\$ -</u>		

- (a) This class includes funds that invest predominantly in long-only, diversified equity securities seeking to outperform reference equity market benchmarks in the US and overseas.
- (b) This category includes funds that invest in a broad array of strategies seeking to exploit security mispricings caused by mergers and acquisitions, spin-offs, tracking stocks, accounting write-offs, reorganizations, bankruptcies, share buybacks and special dividends.
- (c) This class consists of one fund that is specifically focused on investing in the credit and equity of companies that are experiencing business, financial, market or legal uncertainties; attempting to capture the difference between the market price of the security and their underlying intrinsic value.
- (d) This category is primarily represented by two funds that invest in multi-strategy portfolios that have a broad mandate and employ an opportunistic investment approach, shifting capital across asset classes and strategies depending on their profitability. These funds may vary their allocations dramatically across strategies over time and may invest heavily in a certain strategy or not at all depending on the opportunity set at that time.
- (e) This class includes funds with portfolios consisting of a core group of long stock positions with short sales of stock and stock indices in global equity markets. These funds vary in their use of short-selling and leverage.

## Eugene & Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 4. Investments (*continued*)

- (f) This category consists of one fund that invests in a portfolio of intermediate duration, US government bonds – seeking to replicate the returns of the Barclays Intermediate Government Bond Index.
- (g) This category consists of one fund that invests in a diversified, long-only portfolio of US Master Limited Partnerships.

### 5. Property and Equipment

Property and equipment consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Leasehold improvements and furniture	\$ 1,668,663	\$ 1,661,957
Computer equipment	<u>370,462</u>	<u>356,856</u>
	2,039,125	2,018,813
Less: accumulated depreciation	<u>1,307,325</u>	<u>1,128,770</u>
	<u>\$ 731,800</u>	<u>\$ 890,043</u>

### 6. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, are to be made as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 1,811,000	\$ 1,591,500
One to three years	<u>1,035,000</u>	<u>225,000</u>
	2,846,000	1,816,500
Less: present value discount	<u>6,666</u>	<u>3,950</u>
Grants payable, net	<u>\$ 2,839,334</u>	<u>\$ 1,812,550</u>

To reflect the time value of money, grants payable as of December 31, 2015 and 2014 were discounted to the present value.

### 7. Taxes

The Foundation is subject to a federal excise tax of 2% of its net investment income. This tax is reduced to 1% if certain distribution requirements are met. The Foundation provides for deferred Federal excise tax at 2% on the net unrealized appreciation in the fair value of investments.

## Eugene & Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 8. Temporarily Restricted Net Assets

In 2014, the Foundation received two grants from private foundations. One of the grants totaling \$5,714,000 was for supporting the Children and Family Capacity-Building Initiative (CFCBI). CFCBI was developed in an effort to assist nonprofit organizations to build capacity to ensure long term sustainability. The second grant totaling \$25,000 was for supporting between one and three nonprofit organizations working in the area of education and serving students from low income families. During 2015, the Foundation received an additional grant totaling \$40,000, from a private foundation, to support nonprofit organizations working in the area of education and serving students from low income families. The donors' intention was that these grants will be redistributed to charitable organizations. For the years ended December 31, 2015 and 2014, temporarily restricted net assets released from restriction totaled \$2,529,000 and \$2,659,600. At December 31, 2015 and 2014, temporarily restricted net assets totaled \$170,600 and \$2,659,600.

### 9. Related Party Transactions

During 2015 and 2014, grants were paid to certain organizations with which selected Foundation directors are associated. Grants paid to such organizations were \$423,900 and \$565,000 in 2015 and 2014. As of December 31, 2015 and 2014, the Foundation has committed to make additional payments of \$120,000 and \$30,000 to such organizations in the future. In keeping with Foundation policy, directors associated with applicant organizations recuse themselves from the related grant making decisions.

### 10. 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. Plan expense was \$118,784 and \$112,243 in 2015 and 2014.

### 11. Lease Commitments

The Foundation leases office space in Washington, D.C. The office space lease is for the period beginning October 15, 2008 and ending February 28, 2021.

As of December 31, 2015 future minimum annual rental payments are as follows:

2016	\$ 716,739
2017	732,910
2018	749,426
2019	766,253
2020	783,563
Thereafter	131,077
	<u>\$ 3,879,968</u>

## Eugene & Agnes E. Meyer Foundation

Notes to Financial Statements  
December 31, 2015

### 11. Lease Commitments (*continued*)

The lease agreement requires additional payments to cover the escalation of maintenance costs and real estate taxes. The Foundation records its rental expense on the straight-line basis. Rental expense was \$671,362 and \$655,989 for the years ended December 31, 2015 and 2014.

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