

Eugene and Agnes E. Meyer Foundation

Financial Statements

December 31, 2018 and 2017



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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and functional expenses for the year ended December 31, 2018 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 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 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, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018 Eugene and Agnes E. Meyer Foundation adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

May 23, 2019

Eugene and Agnes E. Meyer Foundation

Statements of Financial Position

	December 31	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 4,029,299	\$ 3,158,535
Accounts and interest receivable	186,296	152,462
Prepaid expenses and deposits	100,275	170,163
Prepaid federal excise tax	-	38,183
Investments - deferred compensation	164,811	134,329
Due from investment manager	5,155,704	262,012
Investments	188,281,682	222,112,535
Program related investment	-	1,000,000
Property and equipment, net	275,258	423,066
	<u>\$ 198,193,325</u>	<u>\$ 227,451,285</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 496,216	\$ 157,902
Grants payable, net	1,117,300	1,470,500
Federal excise tax	58,968	-
Deferred federal excise tax	428,407	1,238,047
Deferred rent	314,573	433,391
Deferred compensation	164,811	134,329
Total Liabilities	<u>2,580,275</u>	<u>3,434,169</u>
Net assets without donor restrictions	<u>195,613,050</u>	<u>224,017,116</u>
	<u>\$ 198,193,325</u>	<u>\$ 227,451,285</u>

See notes to financial statements

Eugene and Agnes E. Meyer Foundation

Statements of Activities

	Year Ended December 31			
	2018	2017		Total
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE				
Investment Return				
Dividends and interest	\$ 2,846,041	\$ 2,754,396	\$ -	\$ 2,754,396
Net realized gain on sale of investments	21,576,134	12,978,192	-	12,978,192
Unrealized (loss) gain on investments	<u>(40,482,018)</u>	<u>20,578,015</u>	<u>-</u>	<u>20,578,015</u>
	(16,059,843)	36,310,603	-	36,310,603
Less direct investment expenses	<u>1,590,947</u>	<u>1,472,748</u>	<u>-</u>	<u>1,472,748</u>
Investment Return	(17,650,790)	34,837,855	-	34,837,855
Other income	38,745	105,425	-	105,425
Net assets released from restrictions	<u>-</u>	<u>27,100</u>	<u>(27,100)</u>	<u>-</u>
Total Support and Revenue	<u>(17,612,045)</u>	<u>34,970,380</u>	<u>(27,100)</u>	<u>34,943,280</u>
 EXPENSES				
Grant awards	7,822,295	5,893,226	-	5,893,226
Direct charitable activities	2,585,367	2,812,302	-	2,812,302
Operations and governance	<u>384,359</u>	<u>1,394,210</u>	<u>-</u>	<u>1,394,210</u>
Total Expenses	<u>10,792,021</u>	<u>10,099,738</u>	<u>-</u>	<u>10,099,738</u>
 Change in Net Assets	(28,404,066)	24,870,642	(27,100)	24,843,542
 NET ASSETS				
Beginning of year	<u>224,017,116</u>	<u>199,146,474</u>	<u>27,100</u>	<u>199,173,574</u>
End of year	<u>\$ 195,613,050</u>	<u>\$ 224,017,116</u>	<u>\$ -</u>	<u>\$ 224,017,116</u>

See notes to financial statements

Eugene and Agnes E. Meyer Foundation

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Expenses			Operations and Governance	Total
	Grant Awards	Direct Charitable Activities	Total Program Expenses		
Grants	\$ 7,822,295	\$ -	\$ 7,822,295	\$ -	\$ 7,822,295
Salaries and wages	-	1,194,849	1,194,849	442,379	1,637,228
Employee benefits and payroll taxes	-	289,180	289,180	107,066	396,246
Board/committee expenses	-	11,542	11,542	2,212	13,754
Consulting services	-	173,011	173,011	64,055	237,066
Travel	-	31,583	31,583	7,059	38,642
Meeting expense (program)	-	31,772	31,772	-	31,772
Communications and postage	-	13,942	13,942	-	13,942
Insurance	-	20,853	20,853	7,720	28,573
Depreciation	-	115,660	115,660	42,823	158,483
Rent and utilities	-	481,628	481,628	178,317	659,945
Professional fees	-	43,098	43,098	46,531	89,629
Federal excise tax	-	-	-	241,436	241,436
Deferred excise tax benefit	-	-	-	(809,640)	(809,640)
Other office expenses	-	178,249	178,249	54,401	232,650
Total	\$ 7,822,295	\$ 2,585,367	\$ 10,407,662	\$ 384,359	\$ 10,792,021

See notes to financial statements

Eugene and Agnes E. Meyer Foundation

Statements of Cash Flows

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (28,404,066)	\$ 24,843,542
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	158,483	156,539
Grant discount	2,300	2,791
Net realized gains on sale of investments	(21,576,134)	(12,978,192)
Deferred rent	(118,818)	(102,302)
Unrealized loss (gain) on investments	40,482,018	(20,578,015)
Deferred federal excise tax	(809,640)	411,560
Net changes in operating assets and liabilities		
Accounts and interest receivable	(33,834)	13,208
Prepaid expenses and deposits	69,888	10,325
Prepaid federal excise tax	38,183	151,641
Accounts payable and accrued expenses	338,314	48,802
Grants payable	(355,500)	(1,602,000)
Deferred revenue	-	(66,343)
Federal excise tax	58,968	-
Net Cash From Operating Activities	(10,149,838)	(9,688,444)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,675)	(9,645)
Due to investment manager	(4,893,692)	3,255,034
Purchase of investments	(29,237,541)	(22,004,767)
Proceeds from sale of investments	44,162,510	31,520,507
Disbursement of program related investment	-	(1,000,000)
Collection of program related investment	1,000,000	-
Net Cash From Investing Activities	11,020,602	11,761,129
Net Change in Cash and Cash Equivalents	870,764	2,072,685
 CASH AND CASH EQUIVALENTS		
Beginning of year	3,158,535	1,085,850
End of year	\$ 4,029,299	\$ 3,158,535
 SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise and unrelated business taxes paid	\$ 144,285	\$ -

See notes to financial statements

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

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.

Change in Accounting Principle

On January 1, 2018, the Foundation adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Foundation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Foundation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with maturities of 90 days or less at the time of purchase. Cash and cash equivalents residing within the Foundation's investment portfolio are reported as investments. At times, cash balances may be in excess of FDIC insurance limits.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies

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.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not categorized within the fair value hierarchy.

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.

Investment Expenses

Investment expenses on the statements of activities include those fees paid directly to the Foundation's investment advisors, custodians and direct internal expenses generated from the generation of investment income.

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.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Investments Risks and Uncertainties (continued)

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.

Program-Related Investments

In accordance with Internal Revenue Code Section 4944, the Foundation is permitted to make program related investments ("PRI's") in furtherance of its charitable purpose and in which the production of income or capital appreciation is not a significant purpose of the investment. In the year of the investment, the PRI is treated as a qualifying distribution for tax reporting purposes. At maturity, if the Foundation does not renew the PRI, invest in another PRI, or redistribute as grants, the principal repayment will be added to the minimum distribution requirement. PRI's will be monitored to determine if there is a significant difference between cost and fair value that may require adjustments to terms when deemed appropriate (see note 5).

Property and Equipment

Property 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 range 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.

Grants

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 were previously included in the Foundation's investment accounts. Beginning in 2016, the Foundation has elected to segregate the assets related to deferred compensation on the statements of financial position. At December 31, 2018 and 2017, the assets are comprised of mutual funds and are based on level 1 inputs.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Presentation of Net Assets

Net assets are categorized as without donor restrictions and with donor restrictions.

Without donor restrictions - Resources that are fully available at the discretion of management and the Board of Directors (the Board), for use in activities within the Foundation's mission.

With donor restrictions - Funds that the Foundation may use in accordance with donor's restrictions for specific purposes or upon the passage of time or require the Foundation to maintain them in perpetuity.

All of the Foundation's net assets were without donor restriction as December 31, 2018 and 2017.

Contributions

Contributions are recorded when received and as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the contribution or that have time restrictions. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among programs and supporting services. The allocation of cost to the Foundation's activities is based on the percentage of time spent by employees on the various activities. Cost is calculated by applying the percentage of an employee's time spent on an activity to compensation, benefits and certain operating expenses.

Reclassifications

Certain prior year amounts have been reclassified 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, 2015.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

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

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, 2019.

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.

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	2018			Total
	Level 1	Level 2	Investments Measured at NAV (*)	
Equities	\$ 7,738,309	\$ -	\$ -	\$ 7,738,309
Preferred stocks	-	24,632	-	24,632
Government Securities				
U.S. government	468,856	-	-	468,856
Foreign government	-	261,587	-	261,587
Corporate obligations	-	6,819,089	-	6,819,089
Mutual Funds				
Global long/short	2,808,322	-	-	2,808,322
Real assets	9,561,466	-	-	9,561,466
Equity	10,301,279	-	-	10,301,279
Hedge Funds				
Equities	-	-	55,855,513	55,855,513
Event driven	-	-	8,010,240	8,010,240
Open mandate	-	-	4,136,499	4,136,499
Global long/short	-	-	50,584,981	50,584,981
Fixed income	-	-	19,128,658	19,128,658
Real asset	-	-	4,106,699	4,106,699
Global emerging markets	-	-	6,105,265	6,105,265
Total Investments at Fair Value	<u>\$ 30,878,232</u>	<u>\$ 7,105,308</u>	<u>\$ 147,927,855</u>	185,911,395
Certificates of deposit, at cost plus interest				264,650
Cash held for investment, at cost				<u>2,105,637</u>
Total Investments				<u>\$ 188,281,682</u>

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

4. Investments (continued)

Description	2017			Total
	Level 1	Level 2	Investments Measured at NAV (*)	
Equities	\$ 10,204,811	\$ -	\$ -	\$ 10,204,811
Preferred stocks	-	27,446	-	27,446
Government Securities				
U.S. government	1,723,766	-	-	1,723,766
Foreign government	-	566,094	-	566,094
Corporate obligations	-	7,412,569	-	7,412,569
Mutual Funds				
Global long/short	3,203,966	-	-	3,203,966
Real assets	10,831,592	-	-	10,831,592
Equity	13,053,242	-	-	13,053,242
Hedge Funds				
Equities	-	-	61,361,193	61,361,193
Event driven	-	-	13,973,885	13,973,885
Credit driven/distressed	-	-	8,047,652	8,047,652
Open mandate	-	-	60,178,849	60,178,849
Global long/short	-	-	15,978,914	15,978,914
Fixed income	-	-	5,816,167	5,816,167
Real asset	-	-	8,352,881	8,352,881
Total Investments at Fair Value	<u>\$ 39,017,377</u>	<u>\$ 8,006,109</u>	<u>\$ 173,709,541</u>	220,733,027
Certificates of deposit, at cost plus interest				263,748
Cash held for investment, at cost				1,115,760
Total Investments				<u>\$ 222,112,535</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding investments valued at NAV using the practical expedient at December 31, 2018 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities (see "a" below)	\$ 55,855,513	\$ -	Daily, Quarterly	30 - 60 Days
Event driven (see "b" below)	8,010,240	-	Quarterly, Annually	44 - 60 Days
Open mandate (see "c" below)	4,136,499	-	Monthly, Semi-Annually	90 Days
Global long/short (see "d" below)	50,584,981	-	Quarterly, Annually	30 Days
Fixed income (see "e" below)	19,128,658	-	Daily	15 Days
Real assets (see "f" below)	4,106,699	-	Monthly	30 Days
Global emerging markets (see "g" below)	6,105,265	-	Monthly	31 Days
	<u>\$ 147,927,855</u>	<u>\$ -</u>		

As of December 31, 2018 the Foundation is committed to four new funds totaling \$7,000,000. Capital calls have not occurred as of December 31, 2018.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

4. Investments (*continued*)

- (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 mispricing caused by mergers and acquisitions, spin-offs, tracking stocks, accounting write-offs, reorganizations, bankruptcies, share buybacks and special dividends.
- (c) This category includes 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.
- (d) 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.
- (e) 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.
- (f) This category consists of one fund that invests in a diversified, long-only portfolio of US Master Limited Partnerships.
- (g) This category consists of one fund who invests in global emerging markets. The fund pursues its investment objective by investing all of its investible assets in the master fund. The master fund employs a thematic investment strategy that combines top down and bottom-up approaches to investing in emerging and, to a limited extent, frontier markets.

5. Program-Related Investments

During 2017, the Foundation funded a \$1,000,000 PRI, in the form of a loan, to a charitable organization in support of affordable housing in the Washington, D.C. region. The loan was set to mature on January 31, 2020 and bore interest, at 2.0% per annum, paid quarterly.

The PRI is measured at cost of \$1,000,000 at December 31, 2017 and was repaid in 2018.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

6. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows for December 31, 2018:

Financial assets:	
Cash and cash equivalents	\$ 4,029,299
Accounts and interest receivable	186,296
Due from investment manager	5,155,704
Investments	<u>188,281,682</u>
Total financial assets	197,652,981
Less: Illiquid investments	<u>2,507,259</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 195,145,722</u>

As part of the Foundation's liquidity management strategy, the Foundation structures its financial assets to be available as its grant payments and other general liabilities come due. The withdrawals are adjusted based on the grants to be disbursed and other factors affecting available cash such as capital calls on investments, investment income and capital distributions, general operating expenses, program costs and other factors affecting available cash. The Foundation also maintains a line of credit of \$1,500,000 with a bank that can be drawn upon as needed during the year. It is the Foundation's policy to repay any borrowings in full by the end of the year.

7. Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Leasehold improvements and furniture	\$ 1,668,663	\$ 1,668,663
Computer equipment	<u>400,967</u>	<u>390,292</u>
	2,069,630	2,058,955
Less: accumulated depreciation	<u>1,794,372</u>	<u>1,635,889</u>
	<u>\$ 275,258</u>	<u>\$ 423,066</u>

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

8. 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>2018</u>	<u>2017</u>
Less than one year	\$ 922,500	\$ 1,078,000
One to three years	<u>200,000</u>	<u>400,000</u>
	1,122,500	1,478,000
Less: present value discount of 2.60%	<u>5,200</u>	<u>7,500</u>
Grants Payable, net	<u>\$ 1,117,300</u>	<u>\$ 1,470,500</u>

To reflect the time value of money, grants payable as of December 31, 2018 and 2017 were discounted to the present value.

9. Taxes

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

10. Related Party Transactions

Grants were paid to certain organizations with which certain Foundation directors are associated. During 2018 and 2017 grants paid to such organizations were \$510,020 and \$555,00. As of December 31, 2018, the Foundation has committed to make additional payments of \$77,500 to such organizations in the future. In keeping with Foundation policy, directors associated with applicant organizations recuse themselves from the related grant making decisions.

11. Retirement Benefits and Deferred Compensation

The Foundation funds a defined contribution pension plan for its eligible full-time employees and qualifying part-time employees. Employees are eligible after six months of employment. From the month of eligibility, the Foundation annually contributes ten percent of employees' earnings to the plan. Plan expense was \$136,663 and \$146,262 in 2018 and 2017.

In addition, the Foundation provides a 457(b) deferred compensation plan that is limited to key employees. The Foundation adopted the plan as an unfunded, nonqualified deferred compensation plan. The Foundation's contribution to the 457(b) plan was \$38,000 annually in 2018 and 2017. As of December 31, 2018 and 2017, the 457(b) plan liability was \$164,811 and \$134,329, which is reflected in the statements of financial position. The Foundation has set aside certain investments to fund this obligation.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements
December 31, 2018 and 2017

12. 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, 2018 future minimum annual rental payments are as follows:

2019	\$ 766,253
2020	783,563
2021	<u>131,077</u>
	<u>\$ 1,680,893</u>

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 \$694,679 and \$683,367 for the years ended December 31, 2018 and 2017.

13. Line of Credit

On December 19, 2018 the Foundation obtained an unsecured line of credit of \$1,500,000. The line expires on December 18, 2019 and has an interest rate of 1 month LIBOR plus 1.65%. There were no amounts drawn upon or outstanding under the line as of December 31, 2018.

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