Eugene and Agnes E. Meyer Foundation

Financial Statements

December 31, 2016 and 2015

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016 and 2015, 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.

PKF O'Connor Davies, LLP

May 25, 2017

PKF O'CONNOR DAVIES, LLP
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Eugene and Agnes E. Meyer Foundation

Statements of Financial Position

	December 31	
	2016	2015
ASSETS		
Cash and cash equivalents	$ 1,085,850	$ 63,858
Accounts and interest receivable	165,670	413,252
Prepaid expenses and deposits	180,488	107,839
Prepaid federal excise tax	189,824	173,000
Investments/cash - deferred compensation	154,110	377,760
Due from investment manager	3,517,046	339,446
Investments	198,072,068	202,339,552
Property and equipment, net	569,960	731,800
	$ 203,935,016	$ 204,546,507
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 109,100	$ 158,204
Grants payable, net	3,069,709	2,839,334
Deferred revenue	66,343	75,396
Deferred federal excise tax	826,487	733,103
Deferred rent	535,693	621,827
Deferred compensation	154,110	377,760
Total Liabilities	4,761,442	4,805,624
Net Assets		
Unrestricted	199,146,474	199,570,283
Temporarily restricted	27,100	170,600
	199,173,574	199,740,883
	$ 203,935,016	$ 204,546,507

See notes to financial statements

Eugene and Agnes E. Meyer Foundation

Statements of Activities

	Year Ended December 31					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Investment Return						
Dividends and interest	$ 3,072,202	$ -	$ 3,072,202	$ 2,952,721	$ -	$ 2,952,721
Net realized gain on sale of investments	4,957,967	-	4,957,967	7,383,674	-	7,383,674
Unrealized gain (loss) on investments	4,669,187	-	4,669,187	(17,139,017)	-	(17,139,017)
	12,699,356	-	12,699,356	(6,802,622)	-	(6,802,622)
Less investment expenses	1,158,891	-	1,158,891	1,349,309	-	1,349,309
Net Investment Return	11,540,465	-	11,540,465	(8,151,931)	-	(8,151,931)
Contributions	-	-	-	292	40,000	40,292
Other income	43,544	-	43,544	99,144	-	99,144
Net assets released from restrictions	143,500	(143,500)	-	2,529,000	(2,529,000)	-
Total Support and Revenue	11,727,509	(143,500)	11,584,009	(5,523,495)	(2,489,000)	(8,012,495)
EXPENSES						
Grant awards	8,445,375	-	8,445,375	10,733,975	-	10,733,975
Direct charitable activities	2,780,131	-	2,780,131	2,500,213	-	2,500,213
Operations and governance	772,752	-	772,752	916,034	-	916,034
Federal excise tax	59,676	-	59,676	102,869	-	102,869
Provision (benefit) for deferred federal excise tax	93,384	-	93,384	(342,781)	-	(342,781)
Total Expenses	12,151,318	-	12,151,318	13,910,310	-	13,910,310
Change in Net Assets	(423,809)	(143,500)	(567,309)	(19,433,805)	(2,489,000)	(21,922,805)
NET ASSETS						
Beginning of year	199,570,283	170,600	199,740,883	219,004,088	2,659,600	221,663,688
End of year	$ 199,146,474	$ 27,100	$ 199,173,574	$ 199,570,283	$ 170,600	$ 199,740,883

See notes to financial statements

Eugene and Agnes E. Meyer Foundation

Statements of Cash Flows

	Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (567,309)	$(21,922,805)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	172,025	178,555
Grant discount	(3,625)	(2,716)
Net realized gains on sale of investments	(4,957,967)	(7,383,674)
Deferred rent	(86,134)	(70,426)
Unrealized (gain) loss on investments	(4,669,187)	17,139,017
Deferred federal excise tax	93,384	(342,781)
Net changes in operating assets and liabilities		
Accounts and interest receivable	247,582	(209,193)
Prepaid expenses and deposits	(72,649)	62,070
Prepaid federal excise tax	(16,824)	59,037
Accounts payable and accrued expenses	(49,104)	(13,021)
Grants payable	234,000	1,029,500
Deferred revenue	(9,053)	(73,013)
Net Cash From Operating Activities	(9,684,861)	(11,549,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,185)	(20,312)
Decrease (increase) in due to investment manager	(3,177,600)	6,741,540
Purchase of investments	(19,548,883)	(50,653,771)
Proceeds from sale of investments	33,443,521	55,322,485
Net Cash From Investing Activities	10,706,853	11,389,942
Net Change in Cash and Cash Equivalents	1,021,992	(159,508)
CASH AND CASH EQUIVALENTS		
Beginning of year	63,858	223,366
End of year	$ 1,085,850	$ 63,858
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise taxes paid	$ 76,500	$ 250,000

See notes to financial statements

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 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.

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 is not categorize within the fair value hierarchy.

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

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.

Program-Related Investments

In accordance with Internal Revenue Code Section 4944, the Foundation is permitted to make investments in furtherance of its charitable purpose. Program-related investments will be recorded when disbursed. As of December 31, 2016, the Foundation successfully completed the application process for a program-related investment. The investment will be structured as interest-bearing loan and treated as a qualifying distribution for tax reporting purposes. The loan will be monitored to determine net realizable value based on an evaluation of recoverability and may reflect periodic adjustments to terms when deemed appropriate (see note 12).

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.

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

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, 2016, the assets are comprised of mutual funds and are based on level 1 inputs. At December 31, 2015, the assets were comprised of cash held for investments. The 2015 amounts have been appropriately reclassified.

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 statements 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.

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.

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, 2013.

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 25, 2017.

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:

	2016			
Description	Level 1	Level 2	Investments Measured at NAV (*)	Total
Equities	$ 8,680,159	$ -	$ -	$ 8,680,159
Preferred stocks	-	66,609	-	66,609
Government securities				
U.S. government	799,568	-	-	799,568
Foreign government	-	687,035	-	687,035
Corporate obligations	-	8,385,677	-	8,385,677
Mutual Funds				
Global long/short	2,859,582	-	-	2,859,582
Real assets	9,814,851	-	-	9,814,851
Equity	18,789,326	-	-	18,789,326
Hedge Funds				
Equities	-	-	51,065,890	51,065,890
Event driven	-	-	13,139,421	13,139,421
Credit driven/distressed	-	-	853,229	853,229
Open mandate	-	-	8,022,001	8,022,001
Global long/short	-	-	52,042,668	52,042,668
Fixed income	-	-	15,640,307	15,640,307
Real asset	-	-	6,218,928	6,218,928
Total Investments at Fair Value	$ 40,943,486	$ 9,139,321	$ 146,982,444	197,065,251
Certificates of deposit, at cost plus interest				262,829
Cash held for investment, at cost				743,988
Total Investments				$ 198,072,068

4. Investments *(continued)*

Description	2015 Level 1	2015 Level 2	2015 Investments Measured at NAV (*)	2015 Total
Equities	$ 10,912,645	$ -	$ -	$ 10,912,645
Preferred stocks	-	92,135	-	92,135
Foreign government	-	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				
Equities	-	-	51,625,207	51,625,207
Event driven	-	-	12,673,642	12,673,642
Credit driven/distressed	-	-	2,641,017	2,641,017
Open mandate	-	-	5,317,387	5,317,387
Global long/short	-	-	55,148,542	55,148,542
Fixed income	-	-	16,484,644	16,484,644
Real assets	-	-	5,276,980	5,276,980
Total Investments at Fair Value	$ 45,003,612	$ 7,757,256	$ 149,167,419	201,928,287
Certificates of deposit, at cost plus interest				261,852
Cash held for investment, at cost				149,413
Total Investments				$ 202,339,552

(*) 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, 2016 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities (see "a" below)	$ 51,065,890	$ -	Daily, Quarterly	30 - 60 Days
Event driven (see "b" below)	13,139,421	-	Quarterly, Annually	44 - 60 Days
Credit driven/distressed (see "c" below)	853,229	-	Annually	45 Days
Open mandate (see "d" below)	8,022,001	-	Monthly, Semi-Annually	90 Days
Global long/short (see "e" below)	52,042,668	-	Quarterly, Annually	30 Days
Fixed income (see "f" below)	15,640,307	-	Daily	15 Days
Real assets (see "g" below)	6,218,928	-	Monthly	30 Days
	$ 146,982,444	$ -		

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 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 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.

(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.

(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:

	2016	2015
Leasehold improvements and furniture	$ 1,668,663	$ 1,668,663
Computer equipment	380,647	370,462
	2,049,310	2,039,125
Less: accumulated depreciation	1,479,350	1,307,325
	$ 569,960	$ 731,800

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:

	2016	2015
Less than one year	$ 2,135,000	$ 1,811,000
One to three years	945,000	1,035,000
	3,080,000	2,846,000
Less: present value discount	10,291	6,666
Grants payable, net	$ 3,069,709	$ 2,839,334

To reflect the time value of money, grants payable as of December 31, 2016 and 2015 were discounted to the present value.

7. 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.

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, 2016 and 2015, temporarily restricted net assets released from restriction totaled $143,500 and $2,529,000. At December 31, 2016 and 2015, temporarily restricted net assets totaled $27,100 and $170,600.

9. Related Party Transactions

During 2016 and 2015, grants were paid to certain organizations with which selected Foundation directors are associated. Grants paid to such organizations were $694,000 and $423,900 in 2016 and 2015. As of December 31, 2016 and 2015, the Foundation has committed to make additional payments of $120,000 and $120,000 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 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 $143,125 and $118,784 in 2016 and 2015.

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 2016 and 2015. As of December 31, 2016 and 2015, the 457(b) plan had a balance of $154,110 and $377,760, which is reflected in the statements of financial position.

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, 2016 future minimum annual rental payments are as follows:

2017	$ 732,910
2018	749,426
2019	766,253
2020	783,563
2021	131,077
	$ 3,163,229

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 $676,471 and $671,362 for the years ended December 31, 2016 and 2015.

12. Subsequent Events

As of December 31, 2016, the Foundation has made a commitment to fund a $1,000,000 program related investment, in the form of a loan, to a charitable organization in support of affordable housing in the Washington, DC region. The loan will mature in 3 years and bears interest at 2.0% per annum. Though approved at December 31, 2016, the program related investment was not recorded by the Foundation until the funds were disbursed in January 2017.

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