

Eugene and Agnes E. Meyer Foundation

Financial Statements

**As of and for the years then ended
December 31, 2008 and 2007
and Report Thereon**

Eugene and Agnes E. Meyer Foundation
Report and Financial Statements
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December 31, 2008 and 2007

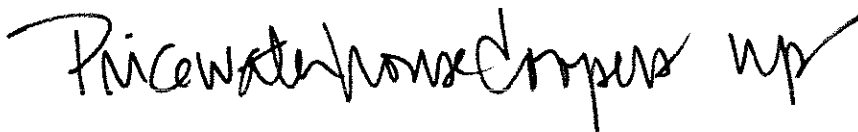
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Report of Independent Auditors

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

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of the Eugene and Agnes E. Meyer Foundation (the "Foundation") as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the financial statements, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, in fiscal year 2008.



May 28, 2009

Eugene and Agnes E. Meyer Foundation
Statements of Financial Position
As of December 31, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	\$ 2,425,594	\$ 3,213,556
Accounts receivable	216,483	310,504
Prepays and deposits	368,818	147,102
Investments	146,095,851	221,620,715
Nonprofit sector fund loans receivable, net	382,000	125,000
Property and equipment, net	975,324	110,973
Total assets	<u>\$ 150,464,070</u>	<u>\$ 225,527,850</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 861,530	\$ 273,142
Grants payable	1,750,000	2,060,000
Total current liabilities	2,611,530	2,333,142
Long-term liabilities		
Grants payable, net	611,428	584,988
Deferred rent liability	53,634	-
Deferred excise taxes on unrealized gains	-	574,235
Deferred compensation	65,630	77,727
Total long-term liabilities	730,692	1,236,950
Total liabilities	3,342,222	3,570,092
Unrestricted net assets	<u>147,121,848</u>	<u>221,957,758</u>
Total net assets	<u>147,121,848</u>	<u>221,957,758</u>
Total liabilities and net assets	<u>\$ 150,464,070</u>	<u>\$ 225,527,850</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, 2008 and 2007

	2008	2007
Revenue		
Dividends and interest on investments	\$ 3,335,145	\$ 4,152,682
Unrealized (loss) gain on investments	(78,408,822)	216,309
Realized gain on sale of investments	11,945,150	22,131,314
Contributions	6,000	6,000
Other	17,640	13,852
	<u>(63,104,887)</u>	<u>26,520,157</u>
Total revenue		
Expenses		
Program	10,545,084	11,727,805
Management and general		
Investing activities	713,196	2,034,445
Other management and general	472,743	597,699
	<u>1,185,939</u>	<u>2,632,144</u>
Subtotal management and general		
Total expenses	<u>11,731,023</u>	<u>14,359,949</u>
(Decrease) increase in unrestricted net assets	(74,835,910)	12,160,208
Unrestricted net assets at beginning of year	<u>221,957,758</u>	<u>209,797,550</u>
Unrestricted net assets at end of year	<u>\$ 147,121,848</u>	<u>\$ 221,957,758</u>

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, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Increase in net assets	\$ (74,835,910)	\$ 12,160,208
Adjustments to reconcile increase in net assets to net cash and cash equivalents used in operating activities		
Depreciation	57,009	68,858
Amortization of grants discount	11,440	4,682
Realized (gains) on investments	(11,945,150)	(22,131,314)
Unrealized losses (gains) on investments	78,408,822	(216,309)
Deferred excise tax expense	(574,235)	2,217
Decrease (increase) in accounts receivable	94,021	(58,573)
(Increase) decrease in nonprofit sector fund loans receivable	(257,000)	71,628
(Increase) in prepaids and deposits	(221,716)	(87,357)
Increase in deferred rent	53,634	-
(Decrease) increase in deferred compensation	(12,097)	23,800
Increase in accounts payable and accrued expenses	588,388	46,093
(Decrease) increase in grants payable	(295,000)	1,259,000
Net cash and cash equivalents used in operating activities	<u>(8,927,794)</u>	<u>(8,857,067)</u>
Cash flows from investing activities		
Purchase of property and equipment	(921,360)	(41,130)
Proceeds from sale and maturities of investments	69,773,679	31,747,920
Purchase of investments	<u>(60,712,487)</u>	<u>(21,800,000)</u>
Net cash and cash equivalents provided by investing activities	<u>8,139,832</u>	<u>9,906,790</u>
Net increase in cash and cash equivalents	(787,962)	1,049,723
Cash and cash equivalents at beginning of year	<u>3,213,556</u>	<u>2,163,833</u>
Cash and cash equivalents at end of year	<u>\$ 2,425,594</u>	<u>\$ 3,213,556</u>

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

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements

1. Organization

The Eugene and Agnes E. Meyer Foundation (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 Statements of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Net assets are classified as unrestricted as they are not subject to any donor-imposed restrictions.

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 9).

Nonprofit Sector Fund Loans

The Foundation grants short-term, non-interest bearing loans supported by fully approved government contracts and foundation or corporate grants, which it classifies as nonprofit sector fund loans. In lieu of interest, the Foundation assesses borrowers a service charge ranging from 0.5% to 2.0% of the total amount of the loan that is based on the number of days in which the loan is outstanding.

Revenue Recognition

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

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. In 2008 and 2007, the Foundation was the recipient of \$6,000 in unrestricted contributions by donors. Contributions are reported as increases in the appropriate category of 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 under the provisions of SFAS No. 13, *Accounting for Leases*, 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

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements

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 non-traditional 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, 2008 and 2007; accordingly, no provision for income taxes is provided in the accompanying financial statements. However, as discussed in Note 8, the Foundation is subject to excise tax obligations.

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 2008 and 2007 are as follows:

	Year ended December 31,	
	2008	2007
Grants	\$ 8,086,562	\$ 9,554,200
Personnel	2,012,445	1,988,486
Investment management fees	908,075	1,475,160
Federal excise tax on investment income	179,761	375,922
Deferred federal excise tax on unrealized gains	(574,235)	2,217
Office expenses	914,271	818,947
Professional fees	204,144	145,017
	<u>\$ 11,731,023</u>	<u>\$ 14,359,949</u>

3. Investments

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurement* ("FAS 157"). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. Effective January 1, 2008 the Foundation adopted FAS 157. The hierarchy established under FAS 157 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 FAS 157, 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. Assets and liabilities classified as Level 2 generally include fixed income securities or partnerships that hold Level 1 assets.

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Notes to Financial Statements

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. The fair market value of the Foundation's share in such investments 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 following table is a summary of the levels used as of December 31, 2008 in valuing the Foundation's assets carried at fair value:

Investment	Cost	Measurement at Fair Value			Total
		Level 1	Level 2	Level 3	
Stocks & Mutual Funds	\$ 44,774,732	\$ 37,105,341	\$ -	\$ -	\$ 37,105,341
Bonds	11,112,735	-	7,771,282	-	7,771,282
Marketable Alternative Investments	19,446,715	-	-	22,102,888	22,102,888
Open Ended Funds	86,225,062	-	75,411,419	-	75,411,419
Cash and Cash Equivalents	3,704,921	3,704,921	-	-	3,704,921
Total	\$ 165,264,165	\$ 40,810,262	\$ 83,182,701	\$ 22,102,888	\$ 146,095,851

The following is a reconciliation of Level 3 assets for which unobservable inputs were used to determine fair value. The table represents the activity of Level 3 securities held at the beginning and the end of the period:

	Marketable Alternatives
Balance at 12/31/2007	\$ 26,947,064
Purchases	3,000,000
Redemptions	(2,000,000)
Gains (Losses)	
Realized	1,378,953
Unrealized	(7,223,129)
Balance at 12/31/2008	<u>\$ 22,102,888</u>

4. Accounts Receivable and Nonprofit Sector Fund Loans Receivable

As of December 31, 2008 and December 31, 2007 accounts receivable consists of \$4,074 and \$46,870 in miscellaneous amounts receivable and \$212,409 and \$263,634 in interest/dividends receivable from investments, respectively.

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Notes to Financial Statements

As of December 31, 2008 and December 31, 2007, Nonprofit Sector Loans Receivable consists of \$382,000 and \$125,000, respectively. The December 31, 2008 loan receivable reflects a \$29,000 write off.

5. Furniture and Equipment

Acquisitions of property and equipment greater than \$5,000 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 Emerging Issues Task Force Issue No. 00-2, *Accounting for Web Site Development Costs*, ("EITF 00-2") 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 provided for by the straight-line method over the estimated useful life of seven years. The capitalized website development costs for the year ended December 31, 2007 were \$29,740.

Furniture and computer equipment at December 31, 2008 and 2007 consists of the following:

	2008	2007
Leasehold Improvements and Furniture	\$ 1,117,871	\$ 253,444
Computer Equipment	321,034	264,101
Less: accumulated depreciation	<u>(463,581)</u>	<u>(406,572)</u>
	<u>\$ 975,324</u>	<u>\$ 110,973</u>

Total depreciation expense for 2008 and 2007 was \$57,009 and \$68,858, respectively.

6. Related Parties

During 2008 and 2007, grants were paid to certain organizations with which selected Foundation directors are associated. Grants paid to such organizations were \$685,000 and \$710,000 in 2008 and 2007, respectively. As of December 31, 2008, the Foundation has committed to make additional payments of \$225,000 to such organizations in the future. In keeping with Foundation policy, directors associated with applicant organizations recuse themselves from the related grant making decisions.

7. Retirement Plan

The Foundation funds a defined contribution pension plan for its full-time employees and qualifying part-time employees. The Foundation annually contributes ten percent of employees' total salary to the plan. Employees are fully vested after six months of employment. Pension expense was \$146,183 and \$129,300 in 2008 and 2007, respectively.

8. 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 1% rate in 2008 and the 2% rate in 2007.

The Foundation paid \$359,500 and \$334,922 in federal excise tax in the years ended December 31, 2008 and 2007, respectively. At the end of 2008 the Foundation had a prepaid tax balance of \$179,740.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements

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, 2008 and 2007, in the opinion of management the Foundation was in compliance with the applicable minimum distribution requirements.

9. Commitments

During 1998, the Foundation signed an amendment to its non-cancellable lease agreement for office space, extending the lease expiration date from December 1999 to December 2008. In 2008, the Foundation entered into a new lease for office space that commenced October 15, 2008 and will end October 31, 2020. 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 \$381,967 and \$259,274 for the years ended 2008 and 2007, respectively. Future minimum payments under non-cancelable operating leases with initial or remaining terms of more than one year as of December 31, 2008 are as follows:

Year ending December 31,	
2009	\$ 479,912
2010	619,436
2011	633,312
2012	647,602
2013	662,202
Thereafter	<u>5,024,626</u>
	<u>\$ 8,067,090</u>

As of December 31, 2008, the Foundation has made pledges for future grant disbursements of \$1,750,000, \$375,000, \$200,000, and \$50,000 for the years ended December 31, 2009, 2010, 2011, and 2012, respectively. There have been no pledges for future grant disbursements after 2012. Long-term grants payable are reported net of discounts of \$13,572 and \$25,012 at December 31, 2008 and 2007, respectively. The discount is calculated using the Daily Treasury Yield Curve Rate on the date the grant was awarded; the discount is applied over the life of the grant. In 2008, the rate used to discount future grants payable ranged from 1.61% to 2.98%.

Eugene and Agnes E. Meyer Foundation

Notes to Financial Statements

10. Recently Issued Accounting Standards

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). On December 30, 2008 the FASB issued FIN 48-3, which deferred the effective date of FIN 48 for the Foundation until 2009. FIN 48 provides guidance concerning the recognition and measurement of tax benefits when realization of the benefits is uncertain. The Foundation is a tax-exempt entity apart from excise taxes paid on investment income. It is expected that the adoption of FIN 48 will not have a material affect on the Foundation's financial condition.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies the sources of accounting principles generally accepted in the United States. SFAS 162 is effective November 15, 2008. The adoption of SFAS 162 is not expected to have a material impact on the Foundation's statements of financial position, operations and cash flows at this time.

In October 2008, the FASB issued FSP No. 157-3, *Determining the Fair Value of a Financial Instrument When the Market for That Asset Is Not Active*. This FSP illustrates key considerations in determining a fair value of a financial asset when the market for that financial asset is not active. This FSP also provides clarification, among other things, on how the reporting entity's own assumptions should be considered when measuring fair value when relevant observable inputs do not exist. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this FSP is not expected to have a material impact on the Foundation's statements of financial position, operations and cash flows.

In April 2009, FASB issued FSP no. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP was issued in response to the SEC's study on mark-to-market accounting and provides the FASB's clarification of the identification of circumstances that indicate a transaction is not orderly. This FSP is effective after June 30, 2009. The adoption of this FSP is not expected to have a material impact on the Foundation's statements of financial position, operations and cash flows.