



Financial Statements

For the Years Ended March 31, 2016 and 2015

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Independent Auditor's Report

**To the Board of Trustees
Meyer Memorial Trust
Portland, Oregon**

We have audited the accompanying financial statements of Meyer Memorial Trust (the Trust), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and changes in unrestricted net assets 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.

Auditor's 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 audits 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 auditor's 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of March 31, 2016 and 2015, and the changes in its unrestricted net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Clark Nuber PS

Certified Public Accountants
August 17, 2016

MEYER MEMORIAL TRUST

Statements of Financial Position
March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Cash	\$ 353,281	\$ 418,187
Accrued interest receivable and other assets	359,247	415,955
Federal taxes recoverable, net	203,635	
Program-related investments	19,674,910	17,054,800
Investments, at fair value-		
Short-term investment funds	15,909,481	20,064,883
Equity securities and funds	292,792,234	306,450,993
Fixed income securities and funds	66,481,088	82,531,898
Alternative asset interests	<u>332,350,659</u>	<u>361,567,171</u>
Total investments, at fair value	<u>707,533,462</u>	<u>770,614,945</u>
Total Assets	<u>\$ 728,124,535</u>	<u>\$ 788,503,887</u>
Liabilities and Unrestricted Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,318,951	\$ 2,681,807
Federal taxes payable, net		240,108
Grants payable	<u>11,136,961</u>	<u>20,593,840</u>
Total Liabilities	13,455,912	23,515,755
Unrestricted net assets	<u>714,668,623</u>	<u>764,988,132</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 728,124,535</u>	<u>\$ 788,503,887</u>

See accompanying notes.

MEYER MEMORIAL TRUST

Statements of Activities and Changes in Unrestricted Net Assets
For the Years Ended March 31, 2016 and 2015

	2016	2015
Unrestricted Revenue:		
Interest	\$ 1,857,289	\$ 13,335,400
Dividends	6,719,439	9,517,408
Other income	768,328	703,335
Total unrestricted revenue	9,345,056	23,556,143
Investment (Losses) Gains, Net:		
Realized gains	16,085,802	54,212,460
Unrealized losses	(41,930,755)	(34,012,330)
Investment (losses) gains, net	(25,844,953)	20,200,130
Total Unrestricted Revenue and Investment (Losses) Gains, Net	(16,499,897)	43,756,273
Expenses:		
Program services-		
Grants	23,420,681	42,210,624
Program administration	6,508,806	6,015,938
Total program services	29,929,487	48,226,562
Management expenses-		
Investment management and custodial fees	1,813,138	1,949,399
Investment administration	1,112,200	1,415,971
Provision for federal taxes	964,787	1,698,097
Total management expenses	3,890,125	5,063,467
Total Expenses	33,819,612	53,290,029
Change in Unrestricted Net Assets	(50,319,509)	(9,533,756)
Unrestricted net assets, beginning of year	764,988,132	774,521,888
Unrestricted Net Assets, End of Year	\$ 714,668,623	\$ 764,988,132

See accompanying notes.

MEYER MEMORIAL TRUST**Statements of Cash Flows
For the Years Ended March 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in unrestricted net assets	\$ (50,319,509)	\$ (9,533,756)
Adjustments to reconcile change in unrestricted net assets to net cash used by operating activities-		
Net realized and unrealized losses (gains) on investments	25,844,953	(20,200,130)
Changes in assets and liabilities:		
Accrued interest receivable and other assets	56,708	617,072
Program-related investments	(2,620,110)	2,156,889
Accounts payable and accrued expenses	(362,856)	273,056
Federal taxes, net	(443,743)	(1,169,485)
Grants payable	(9,456,879)	6,959,798
	<u>(37,301,436)</u>	<u>(20,896,556)</u>
Net Cash Used by Operating Activities		
	(37,301,436)	(20,896,556)
Cash Flows From Investing Activities:		
Proceeds from sales of investments	220,643,533	228,442,934
Purchases of investments	(183,407,003)	(207,598,754)
	<u>37,236,530</u>	<u>20,844,180</u>
Net Cash Provided by Investing Activities		
	37,236,530	20,844,180
Net Change in Cash	(64,906)	(52,376)
Cash, beginning of year	418,187	470,563
	<u>\$ 353,281</u>	<u>\$ 418,187</u>
Cash, End of Year		
	<u>\$ 353,281</u>	<u>\$ 418,187</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for excise taxes	\$ 1,409,000	\$ 2,100,000

See accompanying notes.

MEYER MEMORIAL TRUST

Notes to Financial Statements For the Years Ended March 31, 2016 and 2015

Note 1 - Organization

Meyer Memorial Trust (the Trust) was the residuary beneficiary of the Estate of Fred G. Meyer and was formed on April 1, 1982, as a charitable trust under the laws of Oregon. Upon formation of the Trust, total contributions from the Estate aggregated \$126,199,492. The Trust works with and invests in organizations, communities, ideas and efforts that contribute to a flourishing and equitable Oregon.

Note 2 - Significant Accounting Policies

Basis of Presentation - The Trust has presented its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. For the years ended March 31, 2016 and 2015, activities of the Trust were classified as unrestricted due to the lack of donor-imposed restrictions.

Cash - Cash includes cash and deposits in depository institutions. At times, such amounts may be in excess of the federal insurance limits. Management believes that risk with respect to these balances is minimal due to the high credit quality of these institutions. The Trust has not experienced any losses in such accounts to date.

Program-Related Investments - The Trust makes program-related investments to other organizations to achieve charitable purposes in alignment with the Trust's strategies. These investments are comprised primarily of low or noninterest bearing loans (Note 4).

Investments - The investment goal of the Trust is to invest its assets in a manner that will achieve a total rate of return sufficient to replace the assets spent for grants and expenses and to recoup any value lost due to inflation. To achieve this goal, some investment risk is taken. To minimize such risk, the Trust diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies and investment managers. All financial assets are held in custody for the Trust in proprietary accounts by a major commercial bank, except those assets that have been invested in limited partnerships, hedge funds or in certain products with multiple investors, all of which have separate custodial arrangements appropriate to their legal structure.

Investments consist of traditional assets such as cash, stocks and bonds, as well as alternative investment funds, including hedge funds, private equity, real estate, venture capital and commodities.

The Trust records investments in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy 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 ASC 820 are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable.

MEYER MEMORIAL TRUST

Notes to Financial Statements For the Years Ended March 31, 2016 and 2015

Note 2 - Continued

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Trust considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment only and should not be considered analogous to risk.

The Trust measures the fair value of investments that do not have readily determinable fair values on the basis of the net asset value (NAV) per share, or its equivalent, as a practical expedient for measuring fair value. The Trust performs due diligence reviews of the NAV in the capital accounts with its investment managers to ensure conformity with U.S. GAAP. The Trust has assessed factors including, but not limited to, managers' compliance with fair value measurement standards, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date. NAV is determined by audited financial statements of the investments and quarterly valuation updates provided by investment managers. The NAV of an investment may be adjusted to reflect illiquidity or non-transferability of an investment. During the year ended March 31, 2016, the Trust implemented ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement that investments for which fair value is measured using the NAV per share, or its equivalent, be categorized in the fair value hierarchy. The change was implemented retrospectively for all periods presented.

The change in unrealized appreciation or depreciation of investments is reflected in the statements of activities and changes in unrestricted net assets. Realized gains and losses on sales of investments are computed on a first-in, first-out basis.

Office Furniture, Fixtures and Equipment - Expenditures for office furniture, fixtures and equipment totaled \$125,456 and \$35,364 for the years ended March 31, 2016 and 2015, respectively, and have been charged to expense as incurred.

Grants Payable - Grant expense is recognized in the period the grant is approved by the Trustees. Grants are approved subject to certain requirements. If the recipients fail to meet these conditions, or if grant program needs are less than the amount approved, grants may be canceled or refunded. These cancellations or refunds, normally small in amount, are recognized in the year in which they occur.

Investment and Program Administration - The classification of administrative expenses between investment and program activities is determined either by specific identification of the expenditure or by an allocation based on estimates of total personnel time expended.

Financial Instruments - The carrying amount reported in the financial statements for financial instruments, including cash, receivables, investments, payables, accrued expenses and other liabilities, approximated fair value as of March 31, 2016 and 2015.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the current year financial statement presentation. These reclassifications have no effect on net assets or the change in net assets.

MEYER MEMORIAL TRUST

**Notes to Financial Statements
For the Years Ended March 31, 2016 and 2015**

Note 3 - Investments

Investments are summarized as follows as of March 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
U.S. cash and short term investment funds	\$ 15,909,481	\$ 15,909,481	\$ 20,064,883	\$ 20,064,883
U.S. equities and funds	113,470,026	116,070,953	109,685,331	127,654,227
International equities and funds	133,309,530	176,721,281	121,464,608	178,796,766
	246,779,556	292,792,234	231,149,939	306,450,993
U.S. government obligations	48,041,399	48,041,130	57,511,191	58,384,487
Fixed income funds	17,953,368	18,439,958	21,850,544	24,147,411
	65,994,767	66,481,088	79,361,735	82,531,898
Hedge funds	26,045,785	57,537,196	26,036,930	64,123,672
Buyouts	20,263,536	22,452,910	18,408,307	19,924,929
Energy and resources	53,980,453	49,487,030	55,271,168	53,675,613
Private equity	17,168,149	61,220,840	27,013,415	72,773,525
Real estate	43,557,147	43,074,084	41,610,431	42,668,528
Special credits	18,740,675	24,025,778	26,550,659	34,211,521
Invest Oregon	2,130,854	2,197,243	1,161,046	1,106,050
Venture capital	81,511,782	70,584,408	86,109,696	70,284,654
Mezzanine	551,959	1,771,170	1,049,326	2,798,679
	263,950,340	332,350,659	283,210,978	361,567,171
Total Investments	\$ 592,634,144	\$ 707,533,462	\$ 613,787,535	\$ 770,614,945

Approximately 58% and 57% of the Trust's total investments at March 31, 2016 and 2015, respectively, were invested in institutional mutual funds, publicly traded securities that are listed on national exchanges, treasury and agency bonds of the U.S. government and investment and noninvestment grade corporate bonds for which active trading markets exist. Such assets are valued at quoted closing prices at year end. Realized gains and losses and increases and decreases in fair value on such investments are reflected in the statements of activities and changes in unrestricted net assets.

Approximately 8% of the Trust's total investments at both March 31, 2016 and 2015, were invested in hedge funds. The hedge funds utilize a variety of investment strategies which can be broadly categorized as absolute return, long/short equities strategies and fund of funds. Each fund's investment manager calculates the fair value of investments on a monthly basis using the valuation guidelines stipulated in the respective investment agreement, in accordance with fair value accounting. Realized gains and losses and increases and decreases in fair value of the investments in hedge funds are reflected in the statements of activities and changes in unrestricted net assets.

MEYER MEMORIAL TRUST

**Notes to Financial Statements
For the Years Ended March 31, 2016 and 2015**

Note 3 - Continued

Approximately 32% of the Trust's total investments at both March 31, 2016 and 2015, were invested with numerous partnerships, in which the Trust is a limited partner. The partnerships specialize in investing in venture capital, buyout, special credits, and equity-based real estate investments. Such investments typically invest in private equity or debt securities of companies or properties that are not publicly listed or traded. The value of such investments is determined by the partnerships' general partners, who must follow the valuation guidelines, such as appraisals and comparable company trade data, stipulated in the respective limited partnership agreements. Realized gains and losses and increases and decreases in fair value on the investments in limited partnerships are reflected in the statements of activities and changes in unrestricted net assets. Limited partnerships are audited annually by independent certified public accounting firms.

The valuation techniques described above are consistent with those used in the prior year.

As of March 31, 2016, pursuant to its limited partnership agreements, the Trust is committed to invest approximately \$46.4 million in 35 limited partnerships interest at various times through March 2027. Distributions totaling approximately \$4.9 million at March 31, 2016, are recallable by the limited partnerships. Unpaid commitments totaled approximately \$59.7 million as of March 31, 2015.

The fair value of the Trust's investments based on the fair value hierarchy was as follows:

	March 31, 2016			Total
	Level 1	Level 2	Level 3	
U.S. cash and short term investment funds	\$ 15,909,481	\$ -	\$ -	\$ 15,909,481
U.S. equities and funds	116,070,953			116,070,953
International equities and funds	102,497,930	74,223,351		176,721,281
U.S. government obligations	27,204,989	20,836,141		48,041,130
Fixed income funds	18,439,958			18,439,958
Energy and resources	27,403,789	22,083,241		49,487,030
Total Investments in the Fair Value Hierarchy	\$ 307,527,100	\$ 117,142,733	\$ -	424,669,833
Investments measured at NAV ^(a)				282,863,629
Investments at Fair Value				\$ 707,533,462

- (a) In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

MEYER MEMORIAL TRUST

Notes to Financial Statements
For the Years Ended March 31, 2016 and 2015

Note 3 - Continued

	March 31, 2015			Total
	Level 1	Level 2	Level 3	
U.S. cash and short term investment funds	\$ 20,064,883	\$ -	\$ -	\$ 20,064,883
U.S. equities and funds	127,654,227			127,654,227
International equities and funds	106,413,046	72,383,720		178,796,766
U.S. government obligations	37,446,851	20,937,636		58,384,487
Fixed income funds	7,435,483	16,711,928		24,147,411
Energy and resources	30,900,328	22,775,285		53,675,613
Total Investments in the Fair Value Hierarchy	\$ 329,914,818	\$ 132,808,569	\$ -	462,723,387
Investments measured at NAV ^(a)				307,891,558
Investments at Fair Value				\$ 770,614,945

The following table lists by category, private investments in partnerships and managed accounts for which fair value is measured using the NAV per share practical expedient by concentration, summarizes significant terms of the agreements with certain investment companies, and discloses unfunded investment commitments:

Strategy	Fair Value March 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Alternative illiquid funds-			Pre-set basis, generally quarterly after "lock up" periods as stated in hedge fund agreements		"Lock up" periods of 90 days to 12 months
Hedge Funds	\$ 57,537,196	\$ -			
Partnerships-					
Buyouts	22,452,910	13,513,826	N/A*	N/A*	N/A*
Private equity	61,220,840		N/A*	N/A*	N/A*
Real estate	43,074,084	4,458,624	N/A*	N/A*	N/A*
Special credits	24,025,778	6,607,801	N/A*	N/A*	N/A*
Invest Oregon	2,197,243	1,770,752	N/A*	N/A*	N/A*
Venture capital	70,584,408	17,650,354	N/A*	N/A*	N/A*
Mezzanine	1,771,170	2,385,000	N/A*	N/A*	N/A*
	\$ 282,863,629	\$ 46,386,357			

* These funds are investments in partnerships with no ability to be redeemed at March 31, 2016. Generally, terms are approximately ten years plus several extension options. Following the investment period, the general partners sell assets of the partnerships over the partnerships' remaining terms and distributes funds to partners as mandated in the partnership agreements. The Trust generally cannot redeem its interest in a partnership prior to the termination date of the partnership.

MEYER MEMORIAL TRUST

Notes to Financial Statements For the Years Ended March 31, 2016 and 2015

Note 4 - Program-Related Investments

Program-related investments represent primarily loans made by the Trust to support activities consistent with its mission. Principal amounts range from \$100,000 to \$4,000,000, bear interest at rates from 0% to 2.5%, and mature between 2016 and 2023. Interest income totaling \$254,526 and \$208,008 was earned on program-related investments during the years ended March 31, 2016 and 2015, respectively.

An allowance for doubtful accounts is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of program-related investment recipients to repay the amounts in accordance with the terms of the agreement. Balances are written off only when they are deemed to be uncollectible. There was no allowance for doubtful accounts as of March 31, 2016 and 2015, as management considers all existing program-related investments collectible.

There were no committed but not yet funded loans as of March 31, 2016. As of March 31, 2015, the Trust committed to \$1,444,000 in low interest loans that had not yet been funded.

Note 5 - Federal Taxes

The Trust is a private foundation as defined under section 501(c)(3) of the Internal Revenue Code (IRC) and is, therefore, subject to a federal excise tax of 2% on its net investment income. Under certain circumstances, the Trust may qualify for a 1% federal excise tax rate. The Trust qualified for a 1% federal excise tax rate for the years ended March 31, 2016 and 2015. Additionally, the Trust is subject to federal tax on unrelated business income.

The Trust files income tax returns with the U.S. Government. The Trust is subject to examinations for the current year and certain prior years based on applicable laws and regulations.

The provision for federal taxes is composed of the following for the years ended March 31:

	<u>2016</u>	<u>2015</u>
Current tax expense	\$ 1,488,921	\$ 2,123,251
Deferred tax recovery	<u>(524,134)</u>	<u>(425,154)</u>
Total Federal Taxes	<u>\$ 964,787</u>	<u>\$ 1,698,097</u>

Federal taxes (recoverable) payable are composed of the following at March 31:

	<u>2016</u>	<u>2015</u>
Current, net	\$ (1,496,672)	\$ (1,577,064)
Deferred tax expense	<u>1,293,037</u>	<u>1,817,172</u>
Total Federal Taxes	<u>\$ (203,635)</u>	<u>\$ 240,108</u>

The deferred tax expense consists primarily of excise tax on unrealized gains on investments. The Trust paid approximately \$1,409,000 and \$2,100,000 in excise taxes for the years ended March 31, 2016 and 2015, respectively.

MEYER MEMORIAL TRUST

**Notes to Financial Statements
For the Years Ended March 31, 2016 and 2015**

Note 6 - Grants Payable

Grants payable are expected to be paid as follows:

For the Year Ending March 31,

2017	\$ 8,831,497
2018	2,022,564
2019	<u>282,900</u>
Total Grants Payable	<u><u>\$ 11,136,961</u></u>

Note 7 - Commitments

The Trust leases office space under an operating lease that ends in February 2020. The lease includes escalating rent payments each year. Rental expense totaled \$289,243 and \$277,156 for the years ended March 31, 2016 and 2015, respectively.

At March 31, 2016, future minimum lease payments under noncancelable operating leases consist of the following:

For the Year Ending March 31,

2017	\$ 296,692
2018	354,554
2019	365,191
2020	<u>343,941</u>
Total Future Minimum Lease Payments	<u><u>\$ 1,360,378</u></u>

Note 8 - Subsequent Events

The Trust has performed an evaluation of subsequent events through August 17, 2016, the date on which the financial statements were issued, noting no additional events which affect the financial statements as of March 31, 2016.