

# **Meyer Memorial Trust**

**Financial Statements**

**March 31, 2010 and 2009**

**Meyer Memorial Trust  
Index**

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**Report of Independent Auditors**

To the Trustees of  
Meyer Memorial Trust

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 Meyer Memorial Trust (the "Trust") at March 31, 2010 and 2009, 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 Trust'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 audits 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.



August 4, 2010

**Meyer Memorial Trust**  
**Statements of Financial Position**  
**March 31, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Investments, at fair value		
Short-term investment funds	\$ 10,032,579	\$ 7,619,553
Equity securities and funds	254,665,154	175,722,424
Fixed income securities and funds	56,763,879	71,927,068
Alternative asset interests	269,763,826	198,659,941
Total investments	591,225,438	453,928,986
Cash	144,963	196,155
Program-related investments	11,822,000	13,285,334
Accrued interest receivable and other assets	508,707	430,994
Federal taxes recoverable	-	887,788
Total assets	<u>\$ 603,701,108</u>	<u>\$ 468,729,257</u>
<b>Liabilities and unrestricted net assets</b>		
Unpaid grants	\$ 8,574,325	\$ 18,318,275
Accounts payable and accrued expenses	1,865,217	1,408,878
Federal taxes payable, net	209,318	-
Total liabilities	10,648,860	19,727,153
Unrestricted net assets	593,052,248	449,002,104
Total liabilities and unrestricted net assets	<u>\$ 603,701,108</u>	<u>\$ 468,729,257</u>

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

**Meyer Memorial Trust**  
**Statements of Activities**  
**Years Ended March 31, 2010 and 2009**

	2010	2009
<b>Unrestricted revenues</b>		
Dividends	\$ 9,021,742	\$ 4,664,556
Interest	1,976,973	3,314,118
Rental and other income	151,500	588,480
	<u>11,150,215</u>	<u>8,567,154</u>
<b>Net gains (losses) on investments</b>		
Realized	38,048,521	(13,418,808)
Change in unrealized - equity and fixed income securities and funds	62,559,153	(111,789,712)
Change in unrealized - alternative asset interests	55,597,361	(69,291,226)
	<u>156,205,035</u>	<u>(194,499,746)</u>
Total unrestricted revenues and net gains (losses)	<u>167,355,250</u>	<u>(185,932,592)</u>
<b>Expenses</b>		
Grants approved, net	16,364,151	29,167,037
Program administration	2,841,410	3,237,860
Investment management and custodial fees	1,386,953	1,461,059
Investment administration	765,486	827,544
Provision (benefit) for federal taxes	1,947,106	(2,232,225)
Total expenses	<u>23,305,106</u>	<u>32,461,275</u>
Change in unrestricted net assets	144,050,144	(218,393,867)
Unrestricted net assets at beginning of year	<u>449,002,104</u>	<u>667,395,971</u>
Unrestricted net assets at end of year	<u>\$ 593,052,248</u>	<u>\$ 449,002,104</u>

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

**Meyer Memorial Trust**  
**Statements of Cash Flows**  
**Years Ended March 31, 2010 and 2009**

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	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Change in unrestricted net assets	\$ 144,050,144	\$ (218,393,867)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Net realized and unrealized gains (losses) on investments	(156,205,035)	194,499,746
Grants approved, net	16,364,151	29,167,037
Grants paid	(26,108,101)	(22,069,279)
Change in operating assets and liabilities		
Program-related investments	1,463,334	309,333
Other assets and liabilities, net	378,626	22,846
Federal tax payable, net	1,097,106	(1,232,450)
Net cash used in operating activities	<u>(18,959,775)</u>	<u>(17,696,634)</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposition of investments	270,383,132	193,087,519
Purchases of investments	<u>(251,474,549)</u>	<u>(175,374,065)</u>
Net cash provided by investing activities	<u>18,908,583</u>	<u>17,713,454</u>
Net change in cash	(51,192)	16,820
Cash at beginning of year	<u>196,155</u>	<u>179,335</u>
Cash at end of year	<u>\$ 144,963</u>	<u>\$ 196,155</u>

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

# **Meyer Memorial Trust**

## **Notes to Financial Statements**

### **March 31, 2010 and 2009**

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#### **1. Summary of Significant Accounting Policies**

Meyer Memorial Trust (the "Trust") is 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's accounts are maintained on the accrual basis of accounting.

#### **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 must be 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 two major commercial banks, except those assets that have been invested in limited partnerships, hedge funds, or in certain products with multiple investors.

In September 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2009-12, "Fair Value Measurements and Disclosures: Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)." The standard allows the Trust, as a practical expedient, to measure the fair value of investments that do not have readily determinable fair values on the basis of the net asset value ("NAV") per share of the investment if the net asset value of the investment is calculated in a manner consistent with Topic 946, "Financial Services – Investment Companies." The standard requires disclosures about the nature and risk of the investments and whether the investments are probable of being sold at amounts different from the NAV per share. The standard is effective for the first reporting period ending after December 15, 2009, which is March 31, 2010 for the Trust.

Investments with PIMCO, Wellington Management Company, T Rowe Price New Era Fund, Perry Corporation, Sanderson Asset Management, and F&C Management are valued at fair value by the Trust based on the NAV provided by the administrator of the fund and reported in the fund's financial statements, which are audited annually by independent accountants. There are no significant redemption restrictions associated with these investments.

In accordance with fair value accounting the following fair value hierarchy is used for determining inputs for the Trust's assets:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation 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**

### **March 31, 2010 and 2009**

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For investments in limited partnerships and limited liability companies, fair value is based upon amounts reported to the Trust by the general partners of such entities. There is generally no active market for such interests, although, in some situations, a transaction may occur in the "secondary market" where an investor purchases an existing interest. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Trust's perceived risk of that instrument. Management reviews and evaluates the valuations received from third parties and believes the carrying amount to be a reasonable estimate of fair value.

#### **Cash**

Cash includes cash and deposits in depository institutions. The Trust places its cash in high credit quality 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.

#### **Program-Related Investments**

In accordance with Section 4944 of the Internal Revenue Code ("IRC"), the Trust is permitted to make investments that are related to its charitable programs. Program-related investments at March 31, 2010 primarily represent low or non-interest bearing loans, which facilitate charitable activities supported by the Trust. As of March 31, 2010 and 2009, the Trust has committed to \$75,000 and \$1,075,000, respectively, in low interest loans that have not yet been funded.

#### **Grants**

Grants are recorded when 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.

#### **Office Furniture, Fixtures and Equipment**

Expenditures for office furniture, fixtures and equipment totaling \$46,982 and \$30,593 for the years ended March 31, 2010 and 2009, respectively, have been charged to expense as incurred.

#### **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.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

**Meyer Memorial Trust**  
**Notes to Financial Statements**  
**March 31, 2010 and 2009**

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**2. Investments**

Investments at March 31 are summarized as follows:

	<b>Cost</b>	<b>Fair Value</b>
<b>2010</b>		
Short-term investment funds	<u>\$ 10,032,579</u>	<u>\$ 10,032,579</u>
Equity securities and funds		
Domestic common and preferred stock	93,043,497	108,460,269
Domestic equity fund	10,132,020	10,964,807
International common and preferred stock	60,060,467	71,690,863
International equity funds	<u>48,652,211</u>	<u>63,549,215</u>
	<u>211,888,195</u>	<u>254,665,154</u>
Fixed income securities and fund		
U.S. government obligations	39,291,098	40,686,984
Fixed income fund	<u>15,464,909</u>	<u>16,076,895</u>
	<u>54,756,007</u>	<u>56,763,879</u>
Alternative asset interests		
Hedge funds	39,633,417	69,250,908
Buyouts	21,283,365	26,426,239
Commodities	10,008,901	10,718,540
Private equities	25,453,300	48,501,908
Real estate	40,405,223	29,945,111
Special credits	27,529,751	32,915,919
Venture capital	61,999,669	40,193,083
Mezzanine	<u>11,030,370</u>	<u>11,812,118</u>
	<u>237,343,996</u>	<u>269,763,826</u>
	<u>\$ 514,020,777</u>	<u>\$ 591,225,438</u>

**Meyer Memorial Trust**  
**Notes to Financial Statements**  
**March 31, 2010 and 2009**

	<b>Cost</b>	<b>Fair Value</b>
<b>2009</b>		
Short-term investment funds	\$ 7,619,553	\$ 7,619,553
Equity securities and funds		
Domestic common and preferred stock	129,668,641	99,813,675
International common and preferred stock	52,205,881	40,441,829
International equity funds	22,676,421	35,466,920
	<u>204,550,943</u>	<u>175,722,424</u>
Fixed income securities and fund		
U.S. government obligations	37,635,360	49,908,010
Fixed income fund	23,237,522	22,019,058
	<u>60,872,882</u>	<u>71,927,068</u>
Alternative asset interests		
Hedge funds	50,124,443	58,809,398
Buyouts	19,146,238	22,960,025
Private equities	25,453,300	19,370,813
Real estate	38,834,031	33,081,163
Special credits	23,046,014	20,594,525
Venture capital	54,496,969	34,228,802
Mezzanine	10,736,477	9,615,215
	<u>221,837,472</u>	<u>198,659,941</u>
	<u>\$ 494,880,850</u>	<u>\$ 453,928,986</u>

At March 31, 2010, the fair value of investments exceeded cost by \$77,204,661. At March 31, 2009, the cost of investments exceeded fair value by \$40,951,864.

Within the Trust's portfolio of equity securities and funds, the Trust held 110 and 298 securities with an aggregate amount of unrealized losses of approximately \$9,684,697 and \$52,694,953 as of March 31, 2010 and 2009, respectively. Of these amounts, 71 and 99 securities with unrealized losses of \$8,937,894 and \$17,578,973 have been in continuous unrealized loss positions for greater than 12 months as of March 31, 2010 and 2009, respectively. The Trust evaluated the near-term prospects of the issuer in relation to the severity and duration of the impairment. Based on that evaluation and the Trust's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Trust does not consider these investments to be other-than temporarily impaired as of March 31, 2010 and 2009.

The Trust is committed to invest approximately \$89 million in 31 limited partnership interests at various times through the year ended December 31, 2022. There are \$5,803,300 of distributions callable by limited partnerships at March 31, 2010.

**Meyer Memorial Trust**  
**Notes to Financial Statements**  
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The following table presents the fair value hierarchy of investments held categorized as required under ASC 820 as of March 31, 2010:

	Level 1	Level 2	Level 3
Invested cash and cash equivalents	\$ 10,032,579	\$ -	\$ -
Fixed income securities	56,763,878	-	-
Common and preferred stock	191,115,939	63,549,215	-
Hedge funds	-	-	69,250,914
Limited partnerships, private equity, and commodities	-	10,718,540	189,794,378
	<u>\$ 257,912,396</u>	<u>\$ 74,267,755</u>	<u>\$ 259,045,292</u>

The following table presents the fair value hierarchy of investments held categorized as required under ASC 820 as of March 31, 2009:

	Level 1	Level 2	Level 3
Invested cash and cash equivalents	\$ 7,619,553	\$ -	\$ -
Fixed income securities	71,927,068	-	-
Common and preferred stock	140,255,500	35,466,924	-
Hedge funds	-	-	58,809,398
Limited partnerships and private equity	-	-	139,850,543
	<u>\$ 219,802,121</u>	<u>\$ 35,466,924</u>	<u>\$ 198,659,941</u>

The following table includes a rollforward of the amounts for the year ended March 31, 2010 for investments classified within Level 3. The classification of an investment within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement. However, Level 3 financial instruments may include, in addition to the use of unobservable inputs, observable inputs (that is, inputs that are actively quoted and can be validated to market sources); accordingly, the gains and losses in the table below may include changes in fair value due in part to changes in observable inputs that are part of the valuation methodology.

<b>Balance at March 31, 2009</b>	\$ 198,659,941
Purchases	20,188,111
Distributions	(14,606,221)
Realized losses and other losses	(301,233)
Unrealized gains	54,887,721
Other Income	216,973
<b>Balance at March 31, 2010</b>	<u>\$ 259,045,292</u>

**Meyer Memorial Trust**  
**Notes to Financial Statements**  
**March 31, 2010 and 2009**

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**3. Federal Taxes**

The Trust is a private foundation exempt from federal income tax under the applicable section of the IRC, but is subject to a federal excise tax of 2% on “net investment income.” Under certain circumstances, a foundation may qualify for a 1% excise tax rate. An annual determination is made by the Trust as to whether a 1% or 2% rate is applicable in each year. The Trust did qualify for the 1% excise tax rate in 2010. The Trust did not qualify for the 1% excise tax rate in 2009. Additionally, the Trust is subject to federal tax on unrelated business income.

The provision (benefit) for federal taxes at March 31, 2010 and 2009 is composed of the following:

	<b>2010</b>	<b>2009</b>
Current	\$ 470,052	\$ 126,000
Deferred	<u>1,477,054</u>	<u>(2,358,225)</u>
	<u>\$ 1,947,106</u>	<u>\$ (2,232,225)</u>

The federal taxes payable (recoverable) at March 31, 2010 and 2009 are composed of the following:

	<b>2010</b>	<b>2009</b>
Current, net	\$ (631,974)	\$ (252,026)
Deferred	<u>841,292</u>	<u>(635,762)</u>
	<u>\$ 209,318</u>	<u>\$ (887,788)</u>

The deferred excise tax consists primarily of excise tax on unrealized gains on investments. The Trust paid \$400,000 for taxes during the year ended March 31, 2010. The Trust received a \$1,000,000 refund during the year ended March 31, 2009.

**4. Commitments and Unpaid Grants**

As of March 31, 2010, unpaid grants are estimated to be paid out over the next several years as follows:

2010-11	\$ 6,915,675
2011-12	728,650
2012-13	80,000
2013-14	<u>850,000</u>
	<u>\$ 8,574,325</u>

The Trust leases an office building under an operating lease through May 2016. Future minimum annual rental payments under the operating lease total \$1,331,548. Rental expense of operating leases was \$190,723 and \$187,740 for the years ended March 31, 2010 and 2009, respectively.

**5. Subsequent Events**

The Trust has performed an evaluation of events and transactions for potential recognition or disclosure through August 4, 2010 which is the date the financial statements were issued.