The Louis Calder Foundation

Financial Statements

October 31, 2016 and 2015

Independent Auditors' Report

The Trustees
The Louis Calder Foundation

We have audited the accompanying financial statements of The Louis Calder Foundation (the "Foundation") which comprise the statements of financial position (modified cash basis) as of October 31, 2016 and 2015, and the related statements of activities (modified cash basis) and cash flows (modified cash basis) 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 qualified audit opinion.

Basis for Qualified Opinion

As described in Notes 2 and 4, as of October 31, 2016 and 2015, certain of the Foundation's alternative investments totaling approximately $15,674,000 and $16,388,000 have been valued using September 30, 2016 and 2015 estimates of fair value as determined by the Foundation's investment advisors. Generally accepted accounting principles requires that such investments be valued at fair value as of the date of the statement of financial position.

Qualified Opinion

In our opinion, except for the effect of valuing certain alternative investments at fair value determined as of September 30, 2016 and 2015, as explained in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Louis Calder Foundation as of October 31, 2016 and 2015, and the results of its activities and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

PKF O'Connor Davies, LLP

April 7, 2017

Louis Calder Foundation

Statements of Financial Position
(Modified Cash Basis)

	October 31,	
	2016	2015
ASSETS		
Cash and cash equivalents	$ 5,199,910	$ 1,493,564
Investments, at fair value	155,296,191	160,425,901
	$ 160,496,101	$ 161,919,465
NET ASSETS		
Unrestricted	$ 160,496,101	$ 161,919,465

See notes to financial statements

The Louis Calder Foundation

Statements of Activities
(Modified Cash Basis)

	Year Ended October 31, 2016	Year Ended October 31, 2015
REVENUE		
Dividends	$ 1,614,166	$ 1,838,703
Interest	1,329,996	1,250,913
Royalties and other	51,791	98,274
Total Revenue	2,995,953	3,187,890
EXPENSES		
Grants	6,040,000	7,633,380
Investment expenses	1,675,016	1,493,847
Operations and governance expenses	700,677	737,568
Provision for federal excise tax	-	229,035
Total Expenses	8,415,693	10,093,830
Deficiency of Revenue Over Expenses from Operations	(5,419,740)	(6,905,940)
OTHER ADDITIONS		
Net gain on sale of investments	2,441,520	13,065,974
Unrealized gain (loss) on investments	1,554,856	(13,004,794)
Foreign exchange gain	-	15,011
Other Additions	3,996,376	76,191
Change in Net Assets	(1,423,364)	(6,829,749)
NET ASSETS		
Beginning of year	161,919,465	168,749,214
End of year	$ 160,496,101	$ 161,919,465

See notes to financial statements

The Louis Calder Foundation

Statements of Cash Flows
(Modified Cash Basis)

	Year Ended October 31, 2016	Year Ended October 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,423,364)	$ (6,829,749)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net gain on sale of investments	(2,441,520)	(13,065,974)
Unrealized (gain) loss on investments	(1,554,856)	13,004,794
Foreign exchange gain	-	(15,011)
Net Cash from Operating Activities	(5,419,740)	(6,905,940)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	31,382,731	60,733,591
Purchase of investments	(22,256,645)	(56,101,611)
Net Cash from Investing Activities	9,126,086	4,631,980
Net Change in Cash and Cash Equivalents	3,706,346	(2,273,960)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,493,564	3,767,524
End of year	$ 5,199,910	$ 1,493,564
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise tax payments	$ -	$ 229,035

See notes to financial statements

1. Nature of Organization

The Louis Calder Foundation (the "Foundation") was established in 1951 as a Trust under New York State law by Louis Calder "for educational, charitable and benevolent uses and purposes". The Foundation's grant making supports efforts of schools and educational organizations to improve academic content through the development of coherent, sequenced, content based curricula for elementary and middle school students.

2. Summary of Significant Accounting Policies

Basis of Accounting

The policy of the Foundation is to prepare its financial statements on the basis of cash receipts and disbursements modified to record the investments at fair value. Accordingly, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents consist of highly liquid debt instruments with a maturity of three months or less at the time of purchase.

Investments

Realized gains or losses on investment transactions, are determined on the first-in, first-out basis.

Fair Value Measurements

The Foundation follows accounting principles generally accepted in the United States of America ("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.

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

Fair Value Measurements (continued)

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 categorized within the fair value hierarchy.

The Foundation's financial instruments consist of cash and investments. The carrying value of investments are based on quoted market prices where available or other appropriate valuation methodologies. The estimated fair value of certain limited partnership investments, such as equity hedge funds, is based on valuations provided by the external investment managers as of October 31st or September 30th, which is the latest date the information is available. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. The limited partnerships are not readily marketable, as a result their estimated value is subject to uncertainty and therefore may be materially different from the value that would have been used had a ready market for such investments existed.

Tax Status

The Foundation is exempt from federal income tax under Section 501(c) (3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to Federal excise tax on its net investment income.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effects of tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to October 31, 2013.

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 April 7, 2017.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash and cash equivalents and investments. At times cash balances held at financial institutions may be in excess of federally insured limits. The Foundation has not experienced any losses on its cash deposits. The Foundation invests in common stocks, mutual funds, hedge funds, limited partnerships, and bonds and notes issued by corporations, the United States Government and foreign governments. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio, which limits its concentrations of credit risk.

4. Investments

A summary of the investments held by the Foundation is as follows at October 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equities	$ 85,192,239	$ 100,457,580	$ 80,020,891	$ 94,306,109
Fixed income	21,905,844	21,731,472	30,474,127	29,555,286
Mutual funds	8,748,650	11,120,726	8,699,000	11,443,732
Hedge funds	7,058,396	7,971,144	8,416,970	9,993,902
Limited partnerships	11,600,501	13,924,564	13,579,210	14,832,050
Other	15,000	90,705	15,000	294,822
	$ 134,520,630	$ 155,296,191	$ 141,205,198	$ 160,425,901

The following are major categories of investments measured at fair value on a recurring basis at October 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	2016			
	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities	$ 100,457,580	$ -	$ -	$ 100,457,580
Fixed income	-	21,731,472	-	21,731,472
Mutual funds	11,120,726	-	-	11,120,726
Hedge funds (1)	-	-	-	7,971,144
Limited partnerships (1)	-	-	-	13,924,564
Other (1)	-	-	-	90,705
Total	$ 111,578,306	$ 21,731,472	$ -	$ 155,296,191

	2015			
	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities	$ 94,306,109	$ -	$ -	$ 94,306,109
Fixed income	-	29,555,286	-	29,555,286
Mutual funds	11,443,732	-	-	11,443,732
Hedge funds (1)	-	-	-	9,993,902
Limited partnerships (1)	-	-	-	14,832,050
Other (1)	-	-	-	294,822
Total	$ 105,749,841	$ 29,555,286	$ -	$ 160,425,901

4. Investments (*continued*)

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Information regarding alternative investments measured at NAV using the practical expedient at October 31, 2016 is as follows:

	Valuation Methodology	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Distressed hedge fund (see "a")	NAV	$ 71,168	$ -	Quarterly	60 days
Equity hedge fund (see "b")	NAV	3,610,896	2,755,446	Quarterly	up to 60 days
Event driven/multi-strategy hedge funds (see "c")	NAV	4,397,460	-	Quarterly	up to 90 Days
Real estate funds (see "d")	NAV	6,367,028	1,370,595	Quarterly	90 Days
Debt security hedge funds (see "e")	NAV	7,449,156	1,454,335	Semi-annually	90 days
Natural Resources (see "f")	Cash Flow Method	90,705	-	N/A	N/A
		$ 21,986,413	$ 5,580,376		

(a) This category includes funds activities that consist predominantly of investing and trading in public and private debt obligations or equity securities or other indebtedness of companies undergoing financial distress. The portfolios are typically long-bias and have low turnover as distressed investments take six months to more than two years to work out.

(b) This category includes funds that typically invest in a diversified portfolio of publicly traded equity securities of global natural resource companies, commodities and financial instruments.

(c) This category includes investments where the manager looks for opportunistic investments in the global event arbitrage activities. The allocation to sub-strategies varies based on the manager's assessment of risk/reward for each sub-strategy, attractiveness of each individual opportunity and level of expertise.

(d) This category includes real estate funds that invest in commercial real estate in the United States. Realized distributions of capital from each fund will be received as the underlying investments of the funds are liquidated.

(e) This category includes funds that allow institutional and private investors the opportunity to invest in debt and equity securities of middle market companies. Relative value managers maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Hedge fund managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.

4. Investments (*continued*)

(f) This category includes an investment in mineral interests in Texas. The Foundation receives royalty payments based on the income that is generated by the investment. The Foundation does not have plans to redeem this investment in the near future.

5. 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.

The financial statements of each alternative investment generally are audited annually by independent auditors; however, those audited financial statements typically do not coincide with the year end of the Foundation. For those alternative investments for which independently audited financial statements in accordance with U.S. GAAP are not provided or for which the year end of the audited investee does not coincide with the year end of the Foundation, the Foundation bases its estimate of fair value on the unaudited information calculated by the respective fund managers or general partners which amounts have been reported to the Foundation.

Investments are carried at fair value. 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.

6. Commitments

Grants

As of October 31, 2016, Trustees of the Foundation had approved grants payable in future years amounting to $4,855,000. Such grants are subject to the satisfaction of stipulated conditions and performance by the intended recipients before payment.

6. Commitments (*continued*)

Operating Leases

The Foundation leased space under a noncancelable operating lease agreement that expired in September 2016. In October 2016, the Foundation entered into a new lease agreement for a new space the Foundation will start occupying in January 2017. In addition to base rent, the Foundation pays a percentage of the annual utilities, taxes, insurance, operation, maintenance and repairs expense of the building. The Foundation leased a temporary space until the new lease space was available. Rent expense under the leases were $70,343 and $57,896 for the years ended October 31, 2016 and 2015.

Future minimum payments due under the lease agreement as of October 31, 2016 are the following:

2017	$ 17,402
2018	42,118
2019	43,381
2020	44,686
2021	46,026
Thereafter	23,350
	$ 216,963

7. Retirement Plan

The Foundation has a 401(k) plan (the “Plan”) for all eligible employees. The Foundation makes a matching contribution up to 10% of the employee’s salary. Total contributions to the Plan during the fiscal years ended October 31, 2016 and 2015 were $18,859 and $20,815.

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