

The Louis Calder Foundation

Financial Statements
(Modified Cash Basis)

October 31, 2020 and 2019

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 assets and net assets (modified cash basis) as of October 31, 2020 and 2019, and the related statements of revenues and expenses (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, 2020 and 2019, certain of the Foundation's alternative investments totaling approximately \$16,836,212 and \$11,217,000 have been valued using September 30, 2020 and 2019 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 statements of assets and net assets.

Qualified Opinion

In our opinion, except for the effect of valuing certain alternative investments at fair value determined as of September 30, 2020 and 2019, 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, 2020 and 2019, 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 qualified opinion is not modified with respect to that matter.

PKF O'Connor Davies, LLP

March 23, 2021

Louis Calder Foundation
 Statements of Assets and Net Assets
 (Modified Cash Basis)

	October 31,	
	2020	2019
ASSETS		
Cash	\$ 2,432,064	\$ 6,033,430
Investments, at fair value	<u>186,048,757</u>	<u>177,788,604</u>
	<u>\$ 188,480,821</u>	<u>\$ 183,822,034</u>
 NET ASSETS		
Without donor restrictions	<u>\$ 188,480,821</u>	<u>\$ 183,822,034</u>

The Louis Calder Foundation
Statements of Revenues and Expenses
 (Modified Cash Basis)

	Year Ended October 31,	
	2020	2019
REVENUE		
Dividends	\$ 1,564,975	\$ 1,588,181
Interest	1,531,906	1,736,958
Royalties and other	97,542	113,820
Total Revenue	3,194,423	3,438,959
 EXPENSES		
Grants	7,886,325	6,591,150
Investment	1,794,619	1,691,441
Operations and governance	1,156,240	1,127,007
Provision for federal excise tax	250,000	338,000
Total Expenses	11,087,184	9,747,598
Deficiency of Revenue Over Expenses from Operations	(7,892,761)	(6,308,639)
 OTHER ADDITIONS		
Net gain on sale of investments	8,518,994	11,257,666
Unrealized gain on investments	4,032,554	8,133,943
Other Additions	12,551,548	19,391,609
 Change in Net Assets	4,658,787	13,082,970
 NET ASSETS		
Beginning of year	183,822,034	170,739,064
 End of year	\$ 188,480,821	\$ 183,822,034

See notes to financial statements

The Louis Calder Foundation

Statements of Cash Flows
(Modified Cash Basis)

	Year Ended October 31,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,658,787	\$ 13,082,970
Adjustments to reconcile change in net assets to net cash from operating activities		
Net gain on sale of investments	(8,518,994)	(11,257,666)
Unrealized gain on investments	<u>(4,032,554)</u>	<u>(8,133,943)</u>
Net Cash from Operating Activities	(7,892,761)	(6,308,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	84,030,389	44,055,846
Purchase of investments	<u>(79,738,994)</u>	<u>(34,940,701)</u>
Net Cash from Investing Activities	<u>4,291,395</u>	<u>9,115,145</u>
Net Change in Cash and Cash Equivalents	(3,601,366)	2,806,506
CASH		
Beginning of year	<u>6,033,430</u>	<u>3,226,924</u>
End of year	<u>\$ 2,432,064</u>	<u>\$ 6,033,430</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise tax payments	\$ 250,000	\$ 338,000

See notes to financial statements

The Louis Calder Foundation

Notes to Financial Statements
October 31, 2020 and 2019

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.

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.

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 are not categorized within the fair value hierarchy.

The Louis Calder Foundation

Notes to Financial Statements
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated between program and other activities and have been allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages and payroll taxes which are allocated on the basis of duties and responsibilities and based on where efforts are made. All other expenses were allocated by the purpose of each expenditure.

Presentation of Net Assets

The Foundation's net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. All net assets of the Foundation are considered without donor restrictions at October 31, 2020 and 2019.

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 2017.

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 March 23, 2021.

The Louis Calder Foundation

Notes to Financial Statements
October 31, 2020 and 2019

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

Reclassifications

Certain amounts for 2019 have been reclassified to conform with the 2020 financial statement presentation. These reclassifications have had no effect on net assets.

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 equities, fixed income, hedge funds, limited partnerships and other investments. 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:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 104,712,777	\$ 133,922,623	\$ 93,218,461	\$ 118,500,442
Fixed income	37,384,466	39,620,262	45,646,095	47,181,526
Hedge funds	31,088	141,327	72,432	271,150
Limited partnerships	6,604,301	9,254,041	8,116,283	11,217,007
Money market funds	2,829,986	2,830,013	281,748	281,720
Other	15,000	280,491	15,000	336,759
	<u>\$ 151,577,618</u>	<u>\$ 186,048,757</u>	<u>\$ 147,350,019</u>	<u>\$ 177,788,604</u>

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:

	2020			Total
	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Investments Measured at NAV *	
Equities	\$ 133,922,623	\$ -	\$ -	\$ 133,922,623
Fixed income	-	39,620,262	-	39,620,262
Hedge funds	-	-	141,327	141,327
Limited partnerships	-	-	9,254,041	9,254,041
Money market funds	2,830,013	-	-	2,830,013
Other	-	-	280,491	280,491
Total	<u>\$ 136,752,636</u>	<u>\$ 39,620,262</u>	<u>\$ 9,675,859</u>	<u>\$ 186,048,757</u>

The Louis Calder Foundation

Notes to Financial Statements
October 31, 2020 and 2019

4. Investments (continued)

	2019			
	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Investments Measured at NAV *	Total
	\$	\$	\$	\$
	118,500,442	-	-	118,500,442
Equities	118,500,442	-	-	118,500,442
Fixed income	-	47,181,526	-	47,181,526
Hedge funds	-	-	271,150	271,150
Limited partnerships	-	-	11,217,007	11,217,007
Money market funds	281,720	-	-	281,720
Other	-	-	336,759	336,759
Total	\$ 118,782,162	\$ 47,181,526	\$ 11,824,916	\$ 177,788,604

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding alternative investments measured at NAV using the practical expedient at October 31, 2020 is as follows:

	<u>Valuation Methodology</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate funds (see "a")	NAV	\$ 548,564	\$ -	N/A	N/A
Debt security hedge funds (see "b")	NAV	8,846,804	6,626,529	Semi-annually	90 days
Natural Resources (see "c")	Cash Flow Method	280,491	-	N/A	N/A
		<u>\$ 9,675,859</u>	<u>\$ 6,626,529</u>		

(a) 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.

(b) 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.

(c) 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 Louis Calder Foundation

Notes to Financial Statements
October 31, 2020 and 2019

5. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available as of October 31, 2020, to meet cash needs for general expenditures within one year of the date of the statements of assets and net assets were as follows:

Financial Assets:	
Cash	\$ 2,432,064
Investments, at fair value	<u>186,048,757</u>
Total Financial Assets	188,480,821
Less:	
Unfunded investment commitments	<u>6,626,529</u>
Financial Assets Available to Meet Cash Needs for	
General Expenditures Within One Year	<u>\$ 181,854,292</u>

As part of the Foundation's liquidity management strategy, the Foundation structures its financial assets to be available to pay general expenditures and other obligations as they become due. The Foundation forecasts its future cash flows and monitors its liquidity and available cash.

6. Commitments

Grants

As of October 31, 2020, Trustees of the Foundation had approved grants payable in future years amounting to \$3,457,500. Such grants are subject to the satisfaction of stipulated conditions and performance by the intended recipients before payment.

Leases

In October 2016, the Foundation entered into a lease agreement for office space and started occupying the space 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. Rent expense under the lease was \$73,044 and \$69,817 for the years ended October 31, 2020 and 2019.

Future minimum payments due under the lease agreement as of October 31, 2020 are the following:

2021	\$ 45,914
2022	<u>19,458</u>
	<u>\$ 65,372</u>

The Louis Calder Foundation

Notes to Financial Statements
October 31, 2020 and 2019

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, 2020 and 2019 were \$37,537 and \$30,894.

8. 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.

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. Because of the value of the Foundations's investments has and will fluctuate in response to changing market conditions, the amounts of losses, if any, that will be recognized in subsequent periods, cannot be determined.

The Louis Calder Foundation

Notes to Financial Statements
October 31, 2020 and 2019

9. Expenses by Functional and Natural Classification

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses for the years ended October 31, 2020 and 2019 by nature and functional classification were reported as follows:

	2020		
	Grants and Investment	Operations and Governance	Total
Grants	\$ 7,886,325	\$ -	\$ 7,886,325
Salaries, commissions and benefits	204,494	862,351	1,066,845
Investment management fees	1,273,561	-	1,273,561
Professional fees	-	77,648	77,648
Federal excise taxes	250,000	-	250,000
Other expenses	316,564	216,241	532,805
	\$ 9,930,944	\$ 1,156,240	\$ 11,087,184
	2019		
	Grants and Investment	Operations and Governance	Total
Grants	\$ 6,591,150	\$ -	\$ 6,591,150
Salaries, commissions and benefits	185,464	778,012	963,476
Investment management fees	1,366,801	-	1,366,801
Professional fees	4,477	152,246	156,723
Federal excise taxes	338,000	-	338,000
Other expenses	134,699	196,749	331,448
	\$ 8,620,591	\$ 1,127,007	\$ 9,747,598

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