

The Louis Calder Foundation

Financial Statements
(Modified Cash Basis)

October 31, 2022 and 2021

Independent Auditors' Report

The Trustees
The Louis Calder Foundation

Qualified Opinion

We have audited the accompanying financial statements (modified cash basis) of The Louis Calder Foundation (the "Foundation"), which comprise the statements of assets and net assets (modified cash basis) as of October 31, 2022 and 2021 and the related statements of revenues, expenses and change in net assets (modified cash basis) and cash flows (modified cash basis) for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effect of valuing certain alternative investments at fair value determined as of September 30, 2022 and 2021, as explained in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets and net assets of The Louis Calder Foundation as of October 31, 2022 and 2021, and its revenue and expenses and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Basis for Qualified Opinion

As described in Note 2, as of October 31, 2022 and 2021, certain of the Foundation's investments totaling approximately \$36,284,000 and \$28,044,000 have been valued using September 30, 2022 and 2021 estimates of fair value as determined by the Foundation's investment advisors. Such investments are required to be valued at fair value as of the date of the statements of assets and net assets.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP
April 6, 2023

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

	October 31,	
	2022	2021
ASSETS		
Cash	\$ 147,301	\$ 224,236
Investments, at fair value	<u>170,219,456</u>	<u>216,063,796</u>
	<u>\$ 170,366,757</u>	<u>\$ 216,288,032</u>
 NET ASSETS		
Without donor restrictions	<u>\$ 170,366,757</u>	<u>\$ 216,288,032</u>

The Louis Calder Foundation

Statements of Revenues, Expenses and Change in Net Assets (Modified Cash Basis)

	Year Ended October 31,	
	2022	2021
REVENUE		
Dividends	\$ 1,791,449	\$ 1,155,168
Interest	1,588,548	1,144,595
Royalties and other	261,445	146,036
Total Revenue	3,641,442	2,445,799
EXPENSES		
Grants	8,121,750	8,924,315
Investment	1,921,672	2,085,247
Operations and governance	1,291,512	1,072,223
Provision for federal excise tax	160,000	60,000
Total Expenses	11,494,933	12,141,785
Deficiency of Revenue Over Expenses from Operations	(7,853,491)	(9,695,986)
OTHER (DEDUCTIONS) ADDITIONS		
Net gain on sale of investments	12,246,427	19,555,073
Unrealized (loss) gain on investments	(50,314,211)	17,948,124
Other (Deductions) Additions	(38,067,784)	37,503,197
Change in Net Assets	(45,921,275)	27,807,211
NET ASSETS		
Beginning of year	216,288,032	188,480,821
End of year	\$ 170,366,757	\$ 216,288,032

See notes to financial statements

The Louis Calder Foundation

Statements of Cash Flows (Modified Cash Basis)

	Year Ended October 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (45,921,275)	\$ 27,807,211
Adjustments to reconcile change in net assets to net cash from operating activities		
Net gain on sale of investments	(12,246,427)	(19,555,073)
Unrealized loss (gain) on investments	50,314,211	(17,948,124)
Net Cash from Operating Activities	<u>(7,853,491)</u>	<u>(9,695,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	42,897,870	74,145,310
Purchase of investments	<u>(35,121,314)</u>	<u>(66,657,152)</u>
Net Cash from Investing Activities	<u>7,776,556</u>	<u>7,488,158</u>
Net Change in Cash	(76,935)	(2,207,828)
CASH		
Beginning of year	224,236	2,432,064
End of year	<u>\$ 147,301</u>	<u>\$ 224,236</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Federal excise tax payments	\$ 160,000	\$ 60,000

The Louis Calder Foundation

Notes to Financial Statements
(Modified Cash Basis)
October 31, 2022 and 2021

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 invest in organizations that seek to provide high-quality opportunities for children in under-resourced communities. The Foundation takes a thematic approach to grantmaking based upon its strategic framework, which is focused on the Growth Charter Schools, Science of Reading, and Two-Generation Family Learning.

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 except as further described in Fair Value Measurements below and Note 4. 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
(Modified Cash Basis)
October 31, 2022 and 2021

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 is 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. These investments are required to be reported at their October 31st values. The Foundation believes the carrying amount of these financial instruments as reported herein, 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 at the rate of 1.39%.

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, 2022 and 2021.

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 2019.

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 6, 2023.

The Louis Calder Foundation

Notes to Financial Statements
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3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash 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:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 99,965,569	\$ 100,360,451	\$ 102,281,337	\$ 148,471,143
Fixed income	47,605,880	45,022,814	45,635,320	47,340,479
Hedge funds	-	-	25,096	196,371
Limited partnerships	17,889,816	21,415,076	11,330,662	15,290,496
Money market funds	2,638,139	2,638,139	4,357,118	4,357,118
Other	15,000	782,976	15,000	408,189
	<u>\$ 168,114,404</u>	<u>\$ 170,219,456</u>	<u>\$ 163,644,533</u>	<u>\$ 216,063,796</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:

	2022			
	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Investments Measured at NAV *	Total
Equities	\$ 34,176,632	\$ 66,183,819	\$ -	\$ 100,360,451
Fixed income	-	45,022,814	-	45,022,814
Hedge funds	-	-	-	-
Limited partnerships	-	-	21,415,076	21,415,076
Money market funds	2,638,139	-	-	2,638,139
Other	-	-	782,976	782,976
Total	<u>\$ 36,814,771</u>	<u>\$ 111,206,633</u>	<u>\$ 22,198,052</u>	<u>\$ 170,219,456</u>

The Louis Calder Foundation

Notes to Financial Statements
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4. Investments (continued)

	2021			
	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Investments Measured at NAV *	Total
	\$	\$	\$	\$
	45,325,700	103,145,443	-	148,471,143
Equities	\$ 45,325,700	\$ 103,145,443	\$ -	\$ 148,471,143
Fixed income	-	47,340,479	-	47,340,479
Hedge funds	-	-	196,371	196,371
Limited partnerships	-	-	15,290,496	15,290,496
Money market funds	4,357,118	-	-	4,357,118
Other	-	-	408,189	408,189
Total	<u>\$ 49,682,818</u>	<u>\$ 150,485,922</u>	<u>\$ 15,895,056</u>	<u>\$ 216,063,796</u>

(*) 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, 2022 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	\$ 3,505,243	\$ 2,964,959	N/A	N/A
Debt security hedge funds (see "b")	NAV	17,909,833	8,643,702	N/A	N/A
Natural Resources (see "c")	Cash Flow Method	782,976	-	N/A	N/A
		<u>\$ 22,198,052</u>	<u>\$ 11,608,661</u>		

The Foundation has \$11,914,884 of unfunded commitments related to equity funds that are measured using Level 2 inputs.

(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.

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5. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available as of October 31, 2022 and 2021, to meet cash needs for general expenditures within one year of the date of the statements of assets and net assets were as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash	\$ 147,301	\$ 224,236
Investments, at fair value	170,219,456	216,063,796
Total Financial Assets	<u>170,366,757</u>	<u>216,288,032</u>
Less:		
Investments measured at NAV	22,198,052	15,895,056
Additional contractually committed investments	<u>14,868,842</u>	<u>12,753,236</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 133,299,863</u>	<u>\$ 187,639,740</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

Unfunded Investments

As of October 31, 2022, Trustees of the Foundation had approved commitments to investment funds in future years totaling \$23,523,545. Such commitments are subject to capital calls at the discretion of the fund managers and the full commitment may not be called.

Grants

As of October 31, 2022, Trustees of the Foundation had approved grants payable in future years amounting to \$7,615,000. 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. This lease expired in May 2022. In March 2022, the Foundation entered into a lease agreement for a new office space and started occupying the space in June 2022. 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 these leases was \$53,534 and \$71,669 for the years ended October 31, 2022 and 2021. In addition to the amounts above, the Foundation had construction related costs of \$28,238 for the build out of the new office space during the year ended October 31, 2022.

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6. Commitments *(continued)*

Leases (continued)

Future minimum payments due under the lease agreement as of October 31, 2022 are the following:

2023	\$ 43,822
2024	44,943
2025	46,065
2026	47,186
2027	48,308
Thereafter	<u>235,619</u>
	<u>\$ 465,943</u>

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, 2022 and 2021 were \$44,130 and \$41,274.

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 Louis Calder Foundation

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October 31, 2022 and 2021

8. Risks and Uncertainties *(continued)*

Global and domestic economic uncertainty has resulted in significant volatility in financial markets. Because of the response to changing market conditions, the amounts of losses, if any, that will be recognized in subsequent periods, cannot be determined.

9. Expenses by Functional and Natural Classification

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. The expenses for the years ended October 31, 2022 and 2021 by nature and functional classification were reported as follows:

	2022		
	Grants and Investment	Operations and Governance	Total
Grants	\$ 8,121,750	\$ -	\$ 8,121,750
Salaries, commissions and benefits	161,900	912,780	1,074,679
Investment management fees	1,477,617	-	1,477,617
Professional fees	-	120,674	120,674
Federal excise taxes	160,000	-	160,000
Other expenses	282,155	258,058	540,213
	\$ 10,203,422	\$ 1,291,512	\$ 11,494,933
	2021		
	Grants and Investment	Operations and Governance	Total
Grants	\$ 8,924,315	\$ -	\$ 8,924,315
Salaries, commissions and benefits	134,889	831,040	965,929
Investment management fees	1,445,351	-	1,445,351
Professional fees	-	103,288	103,288
Federal excise taxes	60,000	-	60,000
Other expenses	505,007	137,895	642,902
	\$ 11,069,562	\$ 1,072,223	\$ 12,141,785

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