

**The Louis Calder Foundation**

Financial Statements

October 31, 2009 and 2008



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## Independent Auditors' Report

### **The Trustees The Louis Calder Foundation**

We have audited the accompanying statements of financial position-modified cash basis of The Louis Calder Foundation (the "Foundation") as of October 31, 2009 and 2008 and the related statements of activities-modified cash basis and cash flows-modified cash basis for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2, the financial statements are prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Notes 2 and 6, as of October 31, 2009 and 2008, certain of the Foundation's alternative investments totaling approximately \$9,650,000 and \$8,100,000 have been valued using September 30, 2009 and 2008 amounts per valuations of the Foundation's investment advisors.

In our opinion, except for the effects of the valuation of certain alternative investments at September 30, 2009 and 2008, the financial statements referred to above present fairly, in all material respects, the financial position of The Louis Calder Foundation as of October 31, 2009 and 2008 and the results of its activities and its cash flows for the years then ended on the basis of accounting described in Note 2.

*O'Connor Davies Munns & Dobbins, LLP*

New York, New York  
March 11, 2010

**The Louis Calder Foundation**  
**Statements of Financial Position**  
**(Modified Cash Basis)**  
**October 31,**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,264,787	\$ 2,202,907
Investments, at fair value	137,756,803	125,779,406
Purchased interest and other	<u>-</u>	<u>38,806</u>
	<u>\$ 139,021,590</u>	<u>\$ 128,021,119</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>\$ 139,021,590</u>	<u>\$ 128,021,119</u>

See notes to financial statements

**The Louis Calder Foundation**

Statements of Activities  
(Modified Cash Basis)

Years Ended October 31,

	2009			2008
	Income	Principal	Total	
<b>REVENUE</b>				
Dividends	\$ 1,594,190	\$ -	\$ 1,594,190	\$ 2,014,683
Interest	1,970,104	-	1,970,104	2,493,960
Limited partnerships	71,018	-	71,018	275,204
Royalties and other	100,027	-	100,027	163,991
Total Revenue	<u>3,735,339</u>	<u>-</u>	<u>3,735,339</u>	<u>4,947,838</u>
<b>EXPENSES</b>				
Grants	2,324,256	2,787,230	5,111,486	7,315,800
Investment expenses	390,763	574,820	965,583	1,184,132
Other administrative expenses	44,695	692,064	736,759	893,893
(Benefit) provision for federal excise tax	<u>(47,779)</u>	<u>-</u>	<u>(47,779)</u>	<u>273,748</u>
Total Expenses	<u>2,711,935</u>	<u>4,054,114</u>	<u>6,766,049</u>	<u>9,667,573</u>
Excess (Deficiency) of Revenue Over Expenses from Operations	<u>1,023,404</u>	<u>(4,054,114)</u>	<u>(3,030,710)</u>	<u>(4,719,735)</u>
<b>OTHER ADDITIONS (DEDUCTIONS)</b>				
Net (loss) gain on sale of investments	-	(2,443,093)	(2,443,093)	3,848,753
Unrealized gain (loss) on investments	-	17,497,678	17,497,678	(48,399,575)
Foreign exchange (loss) gain	<u>(1,023,404)</u>	<u>-</u>	<u>(1,023,404)</u>	<u>1,385,871</u>
Other Additions (Deductions), net	<u>(1,023,404)</u>	<u>15,054,585</u>	<u>14,031,181</u>	<u>(43,164,951)</u>
Change in Net Assets	-	11,000,471	11,000,471	(47,884,686)
<b>NET ASSETS</b>				
Beginning of year	<u>-</u>	<u>128,021,119</u>	<u>128,021,119</u>	<u>175,905,805</u>
End of year	<u>\$ -</u>	<u>\$ 139,021,590</u>	<u>\$ 139,021,590</u>	<u>\$ 128,021,119</u>

**The Louis Calder Foundation**

**Statements of Cash Flows**

**(Modified Cash Basis)**

**Years Ended October 31,**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,000,471	\$ (47,884,686)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net (loss) gain on sale of investments	2,443,093	(3,848,753)
Unrealized (gain) loss on investments	(17,497,678)	48,399,575
Foreign exchange (loss) gain	1,023,404	(1,385,871)
Purchased interest and other	<u>38,806</u>	<u>(19,133)</u>
Net Cash from Operating Activities	(2,991,904)	(4,738,868)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	53,657,495	82,416,230
Purchase of investments	<u>(51,603,711)</u>	<u>(76,464,544)</u>
Net Cash from Investing Activities	2,053,784	5,951,686
Net Change in Cash and Cash Equivalents	(938,120)	1,212,818
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,202,907</u>	<u>990,089</u>
End of year	<u>\$ 1,264,787</u>	<u>\$ 2,202,907</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Federal excise tax payments	\$ -	\$ 273,748

See notes to financial statements

# **The Louis Calder Foundation**

## **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, purchased interest and other expenses. 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.

#### ***Cash and Cash Equivalents***

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

#### ***Investments***

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

#### ***Fair Values of Financial Instruments***

The Foundation follows Financial Accounting Standards Board (FASB) 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.

## **The Louis Calder Foundation**

### Notes to Financial Statements

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

##### ***Fair Values of Financial Instruments (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 private equity interests, is based on valuations provided by the external investment managers as of October 31<sup>st</sup> or September 30<sup>th</sup>, 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. Because the limited partnerships are not readily marketable, 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.

##### ***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

##### ***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 has deferred adoption of FASB guidance on uncertain income tax positions until the date of their 2010 financial statements. The Foundation's current accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

##### ***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 11, 2010.

**The Louis Calder Foundation**

Notes to Financial Statements

**3. Investments**

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

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligations	\$ 2,501,567	\$ 2,549,324	\$ 4,646,820	\$ 4,385,299
Bonds and notes	-	-	18,039,114	17,061,857
Common stocks	63,370,781	68,073,501	67,241,966	58,169,267
Fixed income	40,964,029	41,106,314	26,109,598	23,324,892
Currency	4,463	3,539	368,262	296,608
Mutual funds	12,199,352	11,279,654	9,862,981	7,319,962
Hedge funds	6,776,092	6,958,757	8,983,556	9,417,964
Limited partnerships	6,397,472	7,053,489	4,981,741	5,147,589
Other	15,000	732,225	15,000	655,968
	<u>\$ 132,228,756</u>	<u>\$ 137,756,803</u>	<u>\$ 140,249,038</u>	<u>\$ 125,779,406</u>

Investments as of October 31, 2009 presented according to FASB hierarchy are as follows:

	Level 1	Level 2	Level 3	Total
U.S. Government obligations	\$ 2,549,324	\$ -	\$ -	\$ 2,549,324
Common stocks	68,073,501	-	-	68,073,501
Fixed income	-	41,106,314	-	41,106,314
Currency	3,539	-	-	3,539
Mutual funds	11,279,654	-	-	11,279,654
Hedge funds	-	-	6,958,757	6,958,757
Limited partnerships	-	-	7,053,489	7,053,489
Other	-	-	732,225	732,225
Total	<u>\$ 81,906,018</u>	<u>\$ 41,106,314</u>	<u>\$ 14,744,471</u>	<u>\$ 137,756,803</u>

## The Louis Calder Foundation

### Notes to Financial Statements

#### 3. Investments (continued)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the year ended October 31, 2009:

Beginning balance	\$ 15,221,521
Total Gains or Losses (Realized/Unrealized)	(2,113,449)
Purchases, issuances and settlements	<u>1,636,399</u>
Ending balance	<u>\$ 14,744,471</u>

#### 4. Concentration of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Foundation places its cash and cash equivalents with what it believes to be quality financial institutions. The Foundation invests in common stocks, mutual funds, hedge funds, limited partnerships, and bonds and notes issued by financially strong corporations, the United States Government and foreign governments. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

#### 5. Commitments

##### *Grants*

As of October 31, 2009, Trustees of the Foundation had approved grants payable in future years amounting to \$3,149,636. Such grants are subject to the satisfaction of stipulated conditions and performance by the intended recipients before payment.

##### *Operating Leases*

The Foundation leases space under a noncancelable operating lease agreement that expires in September 2013. In addition to base rent, the Foundation pays a percentage of the annual utilities expense of the building based on the square footage used by the Foundation. Rent expense under this lease was \$98,959 and \$95,299 for the years ended October 31, 2009 and 2008.

**The Louis Calder Foundation**

Notes to Financial Statements

**5. Commitments (continued)**

Future minimum payments due under this lease agreement as of October 31, 2009 are:

2010	\$ 99,472
2011	101,990
2012	104,584
2013	<u>107,255</u>
	<u>\$ 413,301</u>