

**THE KAREN TOFFLER
CHARITABLE TRUST**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

THE KAREN TOFFLER CHARITABLE TRUST

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Karen Toffler Charitable Trust

Report on Financial Statements

We have audited the accompanying financial statements of The Karen Toffler Charitable Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 audit opinion.

To the Board of Trustees
The Karen Toffler Charitable Trust
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Karen Toffler Charitable Trust as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

July 21, 2021
Los Angeles, California

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF FINANCIAL POSITION December 31, 2020

ASSETS

Cash and Cash Equivalents	\$ 317,548
Investments	8,551,633
Security Deposit	<u>2,600</u>
TOTAL ASSETS	<u>\$ 8,871,781</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts Payable and Accrued Liabilities	\$ 20,319
NET ASSETS:	
Without Donor Restrictions	<u>8,851,462</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,871,781</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF ACTIVITIES Year Ended December 31, 2020

REVENUE:

Contributions	\$ 1,721,969
Investment Return (Net)	<u>1,148,385</u>

TOTAL REVENUE2,870,354**EXPENSES:**

Program Services	451,481
Management and General	<u>179,692</u>

TOTAL EXPENSES631,173**CHANGE IN NET ASSETS WITHOUT
DONOR RESTRICTIONS**

2,239,181

Net Assets Without Donor Restrictions - Beginning of Year

6,612,281**NET ASSETS WITHOUT DONOR
RESTRICTIONS - END OF YEAR**\$ 8,851,462

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2020

	Program Services: Grantmaking	Management and General	Total
Grants	\$ 330,000	\$ -	\$ 330,000
Professional Fees	-	126,445	126,445
Personnel Expenses	121,481	-	121,481
Other	-	53,247	53,247
TOTAL FUNCTIONAL EXPENSES	\$ 451,481	\$ 179,692	\$ 631,173

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF CASH FLOWS Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets Without Donor Restrictions	\$ 2,239,181
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided by Operating Activities:	
Net Unrealized Gains on Investments	(1,008,554)
Increase in:	
Security Deposit	(2,600)
Decrease in:	
Accounts Payable and Accrued Liabilities	<u>(798)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,227,229

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sale of Investments	4,669,770
Purchases of Investments	<u>(5,890,502)</u>

NET CASH USED IN INVESTING ACTIVITIES (1,220,732)

NET INCREASE IN CASH AND CASH EQUIVALENTS 6,497

Cash and Cash Equivalents - Beginning of Year 311,051

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 317,548

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - ORGANIZATION

The Karen Toffler Charitable Trust (the "Trust") is a private, nonprofit, public benefit corporation organized to promote and engage exclusively in charitable grant-making activities. The Trust does not make grants to individuals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions.

None of the Trust's assets were subject to donor-imposed restrictions at December 31, 2020.

(c) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(d) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Trust considers cash on hand and deposits in banks to be cash and cash equivalents. The carrying value of cash and cash equivalents at December 31, 2020 approximates its fair value.

The Trust maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. The Trust has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions. Investments in hedge funds of funds and common or commingled funds are valued using net asset value (NAV) per share of units held by the Foundation, as provided by the fund managers or general partners. Investments valued at NAV (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(f) CONTRIBUTIONS

The Trust recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

(g) GRANTS

Grants are recognized in the period in which the grant is approved by the Board of Trustees, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Payment of grants may not necessarily be made in the year of authorization. There were no conditional grants at December 31, 2020.

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) TAX EXEMPT STATUS AND FEDERAL EXCISE TAXES

The Foundation qualifies as a tax-exempt organization under IRC Section 501(c)(3), and accordingly is generally not subject to federal income taxes. The Foundation is also exempt from state franchise tax under California Revenue and Tax Code Section 23701(d). However, the Foundation is classified under IRC Section 509(a) as a private foundation and, as such, is subject to a 1.39% federal excise tax on net investment income for the year ended December 31, 2020. Deferred excise taxes arise from the net unrealized appreciation in the fair value of investments. As of December 31, 2020, the Foundation did not have a material deferred excise tax liability and therefore the accompanying financial statements do not include a provision for deferred excise taxes.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, the Trust recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Trust has performed an evaluation of uncertain tax positions and no matters were noted that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(i) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Trust's programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit, such as time worked.

(j) SUBSEQUENT EVENTS

The Trust has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 21, 2021, the date these financial statements were available to be issued.

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Trust has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about the Trust's assets that are measured at fair value on a recurring basis at December 31, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2020	Fair Value Measurements Using				Net Asset Value Per Share or its Equivalent (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Money Market Funds	\$ 99,202	\$ 99,202	\$ -	\$ -	\$ -	
Mutual Funds:						
Fixed Income	1,297,728	1,297,728	-	-	-	
Equity	1,582,400	1,582,400	-	-	-	
Exchange-Traded Funds	2,545,568	2,545,568	-	-	-	
Fund of Funds and Commingled Funds	3,026,735	-	-	-	3,026,735	
TOTAL INVESTMENTS	\$ 8,551,633	\$ 5,524,898	\$ -	\$ -	\$ 3,026,735	

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

Investments valued using NAV are comprised of various hedge, long-only equity, and fixed income commingled funds and fund of funds. These investments (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments are valued using the NAV provided by the fund managers or general partners. It is probable that the investments will be sold at an amount different from their fair value at December 31, 2020.

Redemptions of investments valued at NAV can be made monthly to quarterly upon 16-90 days advance written notice. Certain commingled funds are subject to a one year lock-up period expiring in 2021. Unfunded commitments totaled \$591,351 at December 31, 2020.

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 4 - LINE OF CREDIT

The Trust has a line of credit facility with a financial institution. The maximum available credit is dependent on the value of investments held with this financial institution. At December 31, 2020, no amount was outstanding on the line of credit. Interest is payable monthly on the outstanding balance at a variable interest rate depending on the amount outstanding under the line of credit.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Trust is related to Adelaide Toffler Living Trust (the Living Trust) through common trustees. All of the contributions received by the Trust during the year ended December 31, 2020 were contributed by this related party.

Pursuant to the Living Trust instrument, the Trust is entitled to the residual value of the assets of the Living Trust after the payment of certain fees and specified amounts to all other beneficiaries of the Living Trust. At December 31, 2020, the value of the assets in the Living Trust designated for the Trust was impracticable to estimate, and, as a result, no beneficial interest in such assets was recorded by the Trust.

NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Trust at December 31, 2020 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2020:	
Cash and Cash Equivalents	\$ 317,548
Investments	<u>8,551,633</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 8,869,181</u>

The Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Trust has access to a line of credit dependent on the value of investments held with a financial institution (Refer to Note 4).