

**THE KAREN TOFFLER
CHARITABLE TRUST**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

THE KAREN TOFFLER CHARITABLE TRUST

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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

Opinion

We have audited the financial statements of The Karen Toffler Charitable Trust (the Trust), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 Trust'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 Trust'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.

Green Hasson & Janks LLP

August 10, 2023
Los Angeles, California

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and Cash Equivalents	\$ 260,098	\$ -	\$ 260,098
Investments	17,098,085	-	17,098,085
Beneficial Interest in a Trust	-	584,500	584,500
Other Assets	52,600	-	52,600
TOTAL ASSETS	\$ 17,410,783	\$ 584,500	\$ 17,995,283
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 34,500	\$ -	\$ 34,500
NET ASSETS:			
Without Donor Restrictions	17,376,283	-	17,376,283
With Donor Restrictions	-	584,500	584,500
NET ASSETS	17,376,283	584,500	17,960,783
TOTAL LIABILITIES AND NET ASSETS	\$ 17,410,783	\$ 584,500	\$ 17,995,283

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF ACTIVITIES Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND GAINS (LOSSES):			
Contributions	\$ 6,197,166	\$ -	\$ 6,197,166
Contribution of Beneficial Interest in a Trust	-	584,500	584,500
Investment Return (Net)	(3,222,593)	-	(3,222,593)
Other Income	67,049	-	67,049
TOTAL REVENUE AND GAINS (LOSSES)	3,041,622	584,500	3,626,122
EXPENSES:			
Program Services	806,485	-	806,485
Management and General	273,696	-	273,696
TOTAL EXPENSES	1,080,181	-	1,080,181
CHANGE IN NET ASSETS	1,961,441	584,500	2,545,941
Net Assets - Beginning of Year	15,414,842	-	15,414,842
NET ASSETS - END OF YEAR	<u>\$ 17,376,283</u>	<u>\$ 584,500</u>	<u>\$ 17,960,783</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services: Grantmaking	Management and General	Total
Grants	\$ 674,500	\$ -	\$ 674,500
Professional Fees	-	181,348	181,348
Personnel Expenses	131,985	-	131,985
Other	-	92,348	92,348
TOTAL FUNCTIONAL EXPENSES	\$ 806,485	\$ 273,696	\$ 1,080,181

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

STATEMENT OF CASH FLOWS Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 2,545,941
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Net Realized and Unrealized Losses on Investments	3,465,647
Donated Securities	(5,180,748)
Contribution of Beneficial Interest in a Trust	(584,500)
Increase in:	
Accounts Payable and Accrued Liabilities	<u>12,700</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 259,040

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sale of Investments	4,251,935
Purchases of Investments	(4,094,080)
Reinvested Interest and Dividends	<u>(343,925)</u>

NET CASH USED IN INVESTING ACTIVITIES (186,070)

NET INCREASE IN CASH AND CASH EQUIVALENTS 72,970

Cash and Cash Equivalents - Beginning of Year 187,128

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 260,098

The Accompanying Notes are an Integral Part of These Financial Statements

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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. The Foundation has \$584,500 of donor-restricted net assets at December 31, 2022, representing the Foundation's beneficial interest in a trust which is subject to a time restriction.

(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, 2022 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, 2022

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 Trust, 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 investment return (net) in the statement of activities and represent the change in 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) BENEFICIAL INTEREST IN A TRUST

The Foundation has been designated as the beneficiary of assets held in a trust administered by other trustees. On receipt of the beneficial interest, the Foundation recognized contribution revenue and a receivable which represents the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation are recognized in the statement of activities as a change in valuation of beneficial interest in a trust.

(g) 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.

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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, 2022.

(i) TAX EXEMPT STATUS AND FEDERAL EXCISE TAXES

The Trust qualifies as a tax-exempt organization under IRC Section 501(c)(3), and accordingly is generally not subject to federal income taxes. The Trust is also exempt from state franchise tax under California Revenue and Tax Code Section 23701(d). However, the Trust 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, 2022. Deferred excise taxes arise from the net unrealized appreciation in the fair value of investments. As of December 31, 2022, the Trust 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.

(j) 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.

(k) SUBSEQUENT EVENTS

The Trust has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2022 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 10, 2023, the date these financial statements were available to be issued.

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS December 31, 2022

NOTE 3 - 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, 2022, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2022	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)	
Equity Mutual Funds and ETFs	\$ 5,791,222	\$ 5,791,222	\$ -	\$ -	\$ -
Fixed Income Mutual Funds and ETFs	4,938,016	4,938,016	-	-	-
Common Stocks	2,840,879	2,840,879	-	-	-
Fund of Funds and Commingled Funds	3,527,968	-	-	-	3,527,968
TOTAL INVESTMENTS	17,098,085	13,570,117	-	-	3,527,968
Beneficial Interest in a Trust	584,500	-	-	584,500	-
TOTAL	\$ 17,682,585	\$ 13,570,117	\$ -	\$ 584,500	\$ 3,527,968

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, 2022.

The fair value of the beneficial interest in a trust is determined as described in Note 2 (f).

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS December 31, 2022

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the redemption frequency and notice period for the Foundation's investments using NAV as a practical expedient as of December 31, 2022:

	Fair Value	Redemption Frequency	Redemption Notice Period
Fixed Income and Equity Funds	\$ 2,020,534	Monthly	16 Business Day Notice
Hedge Fund	533,749	Quarterly	35% lock-up, Remaining Balance with 90 Day Notice
Private Equity Funds	<u>973,685</u>	Illiquid	N/A
TOTAL	<u>\$ 3,527,968</u>		

Unfunded commitments totaled \$491,121 at December 31, 2022.

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, 2022, 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 AND BENEFICIAL INTEREST IN A TRUST

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, 2022 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, 2022, the value of the residual value of the assets in the Living Trust designated for the Trust became estimable, and accordingly, the Trust recognized its beneficial interest in the living trust for the amount of \$584,500. The Trust received the distribution in full during the year ending December 31, 2023.

THE KAREN TOFFLER CHARITABLE TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Trust at December 31, 2022 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, 2022:	
Cash and Cash Equivalents	\$ 260,098
Investments	17,098,085
Beneficial Interest in a Trust	<u>584,500</u>
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2022	17,942,683
Less Amounts Not Available to Be Used Within One Year:	
Illiquid Investments	<u>(1,160,497)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 16,782,186</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).