

MOSSES ADAMS

**SILICON VALLEY
COMMUNITY FOUNDATION**

**INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Silicon Valley Community Foundation

We have audited the accompanying consolidated statement of financial position of the Silicon Valley Community Foundation (a California public benefit corporation) and its supporting organizations (the "community foundation") as of December 31, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the community foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Silicon Valley Community Foundation's 2008 consolidated financial statements and in our report dated July 1, 2009, we expressed an unqualified opinion on those consolidated financial statements.

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 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 community 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 our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the community foundation at December 31, 2009, and the results of their activities and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
June 10, 2010

CONSOLIDATED FINANCIAL STATEMENTS

SILICON VALLEY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 and 2008
(in thousands)

	<u>2009</u>	<u>2008</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 14,152	\$ 12,783
Investments	1,682,696	1,401,578
Contributions and grants receivable	8,559	5,403
Notes and other receivables, net	3,426	4,935
Contributions receivable from charitable trusts	6,880	5,454
Property and equipment, net	32,789	33,250
Other assets	607	851
Total assets	<u>\$ 1,749,109</u>	<u>\$ 1,464,254</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	\$ 139,850	\$ 45,253
Accounts payable and accrued liabilities	2,802	1,628
Liabilities to beneficiaries from split interest agreements	38,576	41,134
Deposits held for others	65,707	55,165
Total liabilities	<u>246,935</u>	<u>143,180</u>
NET ASSETS		
Unrestricted	1,364,763	1,283,624
Temporarily restricted	43,906	10,524
Permanently restricted	93,505	26,926
Total net assets	<u>1,502,174</u>	<u>1,321,074</u>
Total liabilities and net assets	<u>\$ 1,749,109</u>	<u>\$ 1,464,254</u>

SILICON VALLEY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)
(in thousands)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND SUPPORT					
Contributions	\$ 224,286	\$ 6,040	\$ 7,265	\$ 237,591	\$ 190,993
Less supporting organization acquisition	(96,919)	-	-	(96,919)	-
Contributions, net	127,367	6,040	7,265	140,672	190,993
Investment income, net of investment fees of \$7,230 and \$7,480, respectively	16,198	-	-	16,198	25,213
Net realized gains (losses) on investments	(69,563)	-	-	(69,563)	243
Change in value of split interest agreements	-	1,477	2,296	3,773	(6,698)
Other income	4,505	-	-	4,505	4,531
Net assets released from restrictions	10,404	(6,389)	(4,015)	-	-
	88,911	1,128	5,546	95,585	214,282
Unrealized gains (losses) on investments, net	264,708	-	-	264,708	(402,175)
TOTAL REVENUES AND SUPPORT	353,619	1,128	5,546	360,293	(187,893)
EXPENSES					
Grants awarded	248,852	-	-	248,852	291,097
Less supporting organization acquisition	(96,919)	-	-	(96,919)	-
Grants awarded, net	151,933	-	-	151,933	291,097
Operating expenses					
Program	17,477	-	-	17,477	18,144
General and administrative	7,523	-	-	7,523	8,930
Development	2,260	-	-	2,260	2,443
TOTAL EXPENSES	179,193	-	-	179,193	320,614
CHANGE IN NET ASSETS BEFORE UPMIFA RECLASSIFICATION					
UPMIFA reclassification of net assets	174,426	1,128	5,546	181,100	(508,507)
UPMIFA reclassification of net assets	(77,016)	32,254	44,762	-	-
CHANGE IN NET ASSETS	97,410	33,382	50,308	181,100	(508,507)
NET ASSETS, beginning of year, as reported	1,283,624	10,524	26,926	1,321,074	1,829,581
Reclassification of net assets	(16,271)	-	16,271	-	-
NET ASSETS, beginning of year, as restated	1,267,353	10,524	43,197	1,321,074	1,829,581
NET ASSETS, end of year	\$ 1,364,763	\$ 43,906	\$ 93,505	\$ 1,502,174	\$ 1,321,074

SILICON VALLEY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 and 2008
(in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 181,100	\$ (508,507)
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	1,613	1,557
Contributions of stock, limited partnership and other assets	(99,084)	(87,969)
Realized and unrealized (gains) losses from changes in market value of investments	(195,145)	401,932
(Gain) loss on disposal of property and equipment	13	(2)
Changes in assets and liabilities		
Contributions and grants receivable	(3,156)	6,121
Notes and other receivables	751	(374)
Increase in net present value of charitable remainder trusts and related accounts	(3,983)	(2,511)
Other assets	244	615
Grants payable	(7,513)	11,218
Accounts payable and accrued expenses	1,174	(737)
Funds held as agency endowments	10,542	22,894
Contributions received for long-term purposes	(7,265)	(129)
Cash flows from operating activities	<u>(120,709)</u>	<u>(115,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	446,933	810,730
Purchases of investments	(331,712)	(694,892)
Payments received from notes receivable	758	2,549
Purchases of property and equipment	(1,166)	(1,168)
Cash flows from investing activities	<u>114,813</u>	<u>117,219</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for long-term purposes	<u>7,265</u>	<u>129</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	1,369	1,456
CASH AND CASH EQUIVALENTS, beginning of year	<u>12,783</u>	<u>51,327</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 14,152</u>	<u>\$ 12,783</u>

NON-CASH DISCLOSURES

During the year ended December 31, 2009, the community foundation acquired investments and grants payable from a supporting organization. See Note 1 for details.

NOTE 1 – DESCRIPTION OF THE FOUNDATION

Silicon Valley Community Foundation (inclusive of its supporting organizations) (“community foundation”) is a publicly supported, nonprofit public benefit corporation, established through the merger of Peninsula Community Foundation and Community Foundation Silicon Valley. The community foundation received its IRS exemption in November 2006 and officially launched in January 2007. The community foundation serves as a partner and resource to nonprofits and citizens improving the quality of life in San Mateo and Santa Clara counties and to those donors who want to give back locally, nationally, and internationally. With more than \$1.7 billion in total assets and 1,500 funds, the community foundation is one of the largest community foundations in the nation.

The mission of the Silicon Valley Community Foundation is to strengthen the common good, improve the quality of life and address the region’s most challenging problems. This is accomplished through visionary community leadership, world-class donor services, and effective grantmaking. The vision is to be a comprehensive center for philanthropy that inspires greater civic participation throughout San Mateo and Santa Clara counties.

Programs:

Advised Funds

The community foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests. Donor advised funds, which numbered 961 and 908 at December 31, 2009 and 2008, respectively, allow donors to recommend grant recipients, subject to community foundation due diligence and approval. These funds may be advised by an individual, family, or committee of people who desire to pool their contributions toward a common purpose. Collectively these funds granted approximately \$82,000,000 and \$168,000,000 to charitable organizations during the years ended December 31, 2009 and 2008, respectively.

Corporate Advised

The community foundation manages one of the largest corporate advised fund programs among all U.S.-based community foundations. The community foundation assists in the grantmaking process, works with employee contribution committees, builds community-wide partnerships, and works together on community relations activities. These funds made grants of approximately \$16,000,000 and \$36,000,000 during the years ended December 31, 2009 and 2008, respectively.

Community Endowment and Field of Interest Funds

Through the Community Endowment Fund or named endowment funds, donors can contribute funds to address community needs. These funds are a permanent charitable resource that grow through community support and provide much-needed funding for local programs and services. They allow the community foundation to act strategically to improve the community by addressing the most urgent needs with one-time or multi-year grants.

Field of interest funds enable donors to identify a broad charitable purpose or a category of interest (e.g., arts, education, and human services) and/or geographic area or target population (e.g., senior citizens, children and youth, and immigrants).

Together, the community endowment and field of interest funds granted approximately \$9,800,000 and \$8,800,000 to charities in San Mateo and Santa Clara Counties during the years ended December 31, 2009 and 2008, respectively.

**SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

Scholarship Funds

The community foundation administers 45 scholarship programs. The majority are designated for current or former residents of San Mateo and Santa Clara counties. During the years ended December 31, 2009 and 2008, the community foundation awarded 304 and 276 scholarships totaling approximately \$722,000 and \$677,000, respectively.

Supporting Organizations

The community foundation works with a number of supporting organizations. The community foundation appoints a majority of the members of the governing boards of the supporting foundations. Each governing board may create its own investment policy and grant guidelines. All supporting organizations are under the community foundation's effective control and are consolidated for financial statement purposes.

William H. Cilker Foundation	Driscoll Family Foundation
Dirk and Charlene Kabcenell Foundation	Steven and Michele Kirsch Foundation
The Chong-Moon Lee Foundation	Lorry I. Lokey Supporting Foundation
Bernard A. Newcomb Foundation	Portola Group Foundation
Raising A Reader	The Real Estate Trust
Reddere Foundation	Sobrato Foundation
The Skoll Fund	The Star Hill Fund
Peter and Nora Stent Family Foundation	

Two supporting organizations noted above were created by the community foundation to manage specific programs.

The Real Estate Trust

Silicon Valley Community Foundation partners with The Real Estate Trust to accept gifts of residential, commercial, or undeveloped property. A gift of real estate to The Real Estate Trust offers donors significant tax and economic advantages, while building charitable assets for the community.

Raising A Reader

Raising a Reader was established in 2001 to promote a shared book experience between parents and young children from birth through age five, to strengthen family bonds and to develop a love of reading critical to school success. The organization's national headquarters in Mountain View, California, provides program support and technical assistance to affiliates in its nationwide network.

One of the supporting organizations was acquired October 31, 2009. This supporting organization had total assets at acquisition, of approximately \$109,900,000 at fair value and liabilities of approximately \$96,900,000, net of discount on grants payable. As of December 31, 2009, one of the supporting organizations had ceased operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation – The accompanying consolidated financial statements as of December 31, 2009 and 2008, include the financial statements of the community foundation and its supporting organizations, listed in Note 1 above. Inter-organizational transactions and balances have been eliminated in the consolidation.

SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Prior Year Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the community foundation’s financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Cash and Cash Equivalents – For financial statement purposes, the community foundation considers all cash accounts, except those being held for investment purposes, and all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

Description of Net Assets – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Unrestricted is defined as that portion of net assets that have no use or time restrictions. The bylaws of the community foundation include a variance provision giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on the provision, the community foundation classifies contributions, except as noted below, as unrestricted for financial statement presentation.

Temporarily restricted is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, which are scheduled to be received more than one year in the future, are classified as temporarily restricted until the funds are received and are discounted at a rate commensurate with the risks involved. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as temporarily restricted until appropriated for use based on the community foundation’s spending policy. The community foundation also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as temporarily restricted until the purpose restrictions are met. When the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Permanently restricted is defined as that portion of net assets consisting of the fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes. The community foundation also records contributions to charitable trusts as permanently restricted where the donor has permanently restricted the corpus of the trust.

Fair Value Measurement

Investments are stated at fair value following the applicable requirements of U.S. generally accepted accounting principles. In general, fair values are determined by the most relevant available and observable valuation inputs and are classified into three levels. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the community foundation’s determination of assumptions market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments. (See Note 3)

SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Endowment Funds

California enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) effective January 1, 2009. As a result, the community foundation reviewed all relevant gift instruments and its organizing documents to determine if it had funds with donor-imposed restrictions that are subject to the state enacted version of the UPMIFA.

Interpretation of Relevant Law

The Board of Directors of the community foundation, with the advice of legal counsel, has determined it holds net assets which meet the definition of endowment funds under UPMIFA. As a result of this interpretation, the corpus of funds subject to UPMIFA is classified as permanently restricted. The corpus represents the fair value of the original gifts as of the gift date, and all subsequent gifts where the donor has indicated the gift be retained permanently. The value of assets in excess of original gifts in donor restricted endowment funds are classified as temporarily restricted net assets until appropriated for expenditure by the community foundation.

During the year ended December 31, 2009, the community foundation reviewed all endowment funds and transferred the net assets of those subject to UPMIFA or other donor restrictions from unrestricted to permanently restricted and temporarily restricted net assets, as appropriate.

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level classified as permanently restricted net assets. At December 31, 2009 and 2008, the community foundation had 70 endowment funds with deficiencies of this nature totaling approximately \$4,585,900, and 24 funds with deficiencies totaling approximately \$4,307,000, respectively. These deficiencies are reflected in unrestricted net assets.

In accordance with UPMIFA, the community foundation considers the following factors in making a determination as to the appropriation of assets for expenditure: 1) the duration and preservation of the fund, 2) the purposes of the organization and the donor-restricted endowment fund, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of the organization, and 7) the investment policies of the community foundation.

Investment and Spending Policies

The community foundation has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowed assets. The investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

To accomplish the long-term rate of return objectives, the community foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The community foundation targets a diversified asset allocation with an emphasis on equity based investments, within prudent risk parameters.

The spending policy determines the amount of money to be distributed annually from the community foundation’s various endowed funds for grantmaking and operational support. The Board of Directors generally approves the spending policy in the fourth quarter of the fiscal year for grants to be made in the following year. In 2009, the community foundation adopted a sliding scale spending policy to address underwater funds, defined as those funds with balances below historic gift value. The spending rate for grants is calculated over a twelve trailing quarter average. The rate varies based on the balance of the fund and whether it is above or below historic gift value. For funds with balances above historic gift value the spending rate is 4.5%. The table below illustrates the current spending policy for grants for funds with balances that are under historic gift value.

**SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

<u>Amount Underwater</u>	<u>Reduction in Spending</u>	<u>Grant Spending Rate</u>
8% or less	No reduction	4.50%
Over 8% up to and including 16%	33.3% reduction	3.00%
Over 16% up to and including 30%	66.7% reduction	1.50%
Over 30%	100% reduction	0%

In addition to grants, the community foundation assesses a support fee to the endowment funds. The spending policy for foundation support fees ranges from .5% to 2% of the average daily balance of the fund over the previous month. The fee varies based on the fund type.

The spending policy is consistent with the community foundation's objective to maintain purchasing power of endowed assets as well as to provide stable support to the community.

Concentrations of Risk

The community foundation recognizes there are inherent risks associated with non-publicly traded securities. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations and regular communication with investment managers. The community foundation may also have risk associated with its concentration of investments in certain geographic areas and certain industries.

To address market risk of investments, the community foundation maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the investment managers' performances. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment alternatives. An investment consultant is also utilized. The community foundation has custody agreements with selected banks, which process disbursements at the direction of authorized staff.

In addition, concentrations of market and credit risk exist for charitable remainder trusts as well as for cash equivalents. In the regular course of business, the community foundation may maintain operating cash balances at various banks in excess of federally insured limits. Management does not believe it is exposed to any significant credit risk on uninsured amounts.

Major Contributions – One donor, through the acquisition of a supporting organization, represented 47% of total contributions for the year ended December 31, 2009, and two donors represented 45% of total contributions for the year ended December 31, 2008.

Program Related Investments – In furtherance of their missions, the community foundation and its affiliated supporting organizations may occasionally make investments in below market rate loans or investment vehicles that the Boards have determined to provide a social benefit to the community.

Supporting Organization Assets – 23% and 25% of the community foundation's total assets at December 31, 2009 and 2008, respectively, were in one supporting organization.

Notes Receivable – In lieu of discounting notes receivable having a maturity date that cannot be reasonably determined, the difference between the risk-free rate of return at the date of issuance of the notes and the actual interest rate of the notes is calculated and, if material, recorded annually as interest income and expense.

Charitable Remainder Trusts – The community foundation is an irrevocable remainder beneficiary of numerous charitable remainder trusts whose maturities are based on the life expectancy of the income beneficiaries or a specified term of years.

**SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

Trusts in which the community foundation is both trustee and remainder beneficiary are recorded at the market value of the assets in the trusts. The corresponding liability for certain future amounts due beneficiaries is recorded at the present value of the annuity payments.

Trusts for which the community foundation does not act as trustee are recorded at the present value of the assets to be received in the future.

The present value discount rate used for all trusts is 3.2% and 3.4% at December 31, 2009 and 2008, respectively.

Property and Equipment – Acquisitions and donations of property and equipment with a fair market value in excess of \$5,000 are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Deposits Held for Others – The community foundation accepts funds from unrelated nonprofit organizations who desire to have the community foundation provide efficient investment management, programmatic expertise, and technical assistance. A liability is recorded at the readily determinable estimated fair values of assets deposited with the community foundation by nonprofit organizations.

Grant Expense – Grants are recognized when all significant conditions are met, all due diligence has been completed, and they are approved by staff or board committee. Grant refunds are recorded as a reduction of grant expense at the time the community foundation receives or is notified of the refund. Grants payable represent the present value of grants to be paid in the future and have been discounted at 3.2%.

Revenue Recognition – Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed to the community foundation is recorded at appraised value on the date of the gift and is generally made available for sale as soon as practicable. Contributions of public stock are recorded at the mean of the quoted market price on the date of donation. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution.

Allowance for Doubtful Accounts – The community foundation provides for amounts that may be uncollectible on grants and other receivables. Management estimates the amount based on a variety of factors which include, but are not necessarily limited to the ability of the debtor to pay, and historical trends.

Contributions-in-Kind – Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which the community foundation would have paid for if not contributed, are recorded at their estimated fair market value. For the years ended December 31, 2009 and 2008, the community foundation recognized a total of approximately \$5,150,000, and \$5,000,000 respectively, in contributed services.

Functional Expense Allocations – Expenses which apply to more than one functional category have been allocated between program, management and general, and fundraising based on the time spent on these functions by specific employees as estimated by management. Indirect expenses, such as general office supplies are allocated based on the overall number of staff in the various functional categories. Certain marketing material costs are allocated based on the percentage of the publication devoted to each functional area. All other costs are charged directly to the appropriate functional category.

SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes – The community foundation adopted the provisions of FASB Accounting Standards Codification (“ASC”) 740-10, Income Taxes, relating to accounting for uncertain tax positions on January 1, 2009. The community foundation had no unrecognized tax benefits which would require an adjustment to the January 1, 2009, beginning balance of net assets and had no unrecognized tax benefits at December 31, 2009. The community foundation and its supporting organizations file exempt organization returns and, if applicable, unrelated business income tax returns in the U.S. federal and California jurisdictions.

Reclassifications – Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation. These reclassifications had no impact on net assets.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The community foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the financial position, including the estimates inherent in the process of preparing the financial statements. The community foundation’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated financial position but arose after the consolidated financial position date and before the consolidated financial statements are available to be issued.

The community foundation has evaluated subsequent events through June 10, 2010, which is the date the financial statements are available to be issued.

NOTE 3 – INVESTMENTS

Investments

The community foundation’s investments consisted of the following as of December 31:

	2009	2008
Cash and cash equivalents	\$ 277,643,833	\$ 284,099,464
Global bonds	324,061,610	270,684,086
Global equities	500,908,187	347,035,321
Alternative investments (see detail below)	580,082,807	499,758,875
Total	<u>\$ 1,682,696,437</u>	<u>\$ 1,401,577,746</u>

Investments include those held in individual funds established by donors, supporting organizations, charitable trusts and a variety of investment pools made available to donor funds for investment of gifted assets. Separate asset allocations are maintained for each investment pool, the endowment, supporting organizations, and charitable trusts. The asset allocation of any individual donor fund is dependent on the donor’s choice of approved investment pools. Advised funds of \$10 million or more are eligible to be invested separately from the pools, subject to approval by the community foundation’s investment committee.

SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table summarizes alternative investment strategies as of December 31:

	2009	2008
Hedge funds	\$ 217,470,028	\$ 206,301,371
Private equity	184,310,919	165,254,749
Private real estate	94,111,244	87,984,476
Real assets	69,806,408	46,276,079
Derivatives	14,384,208	(6,057,800)
Total	<u>\$ 580,082,807</u>	<u>\$ 499,758,875</u>

Alternative investments include redeemable interests in hedge funds and commingled pools, nonredeemable interests in real estate partnerships and private equity funds, and inflation hedging real assets including commodities, precious metals and private energy/infrastructure funds. They are structured as partnerships, limited liability companies, commingled trusts and offshore investment funds. Alternative investments also include direct investments in private companies, real estate and commodities. Of the total alternative investments, 56% and 52% are concentrated in one supporting organization as of December 31, 2009 and 2008, respectively.

Derivative financial instruments, primarily options and futures, are used by one supporting organization as hedging instruments to protect against loss and to achieve desired market exposure.

Fair Value Disclosures

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A framework for measuring fair value prioritizes the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. An investment's categorization is based upon the lowest level of input that is significant to the fair value measurement.

Three levels of inputs are used to measure fair value:

- Level 1 – Quoted market prices (observable inputs) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Example: listed securities.
- Level 2 – Observable inputs other than quoted prices included in Level 1 for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Example: thinly traded securities.
- Level 3 – Unobservable inputs for the asset or liability that are not corroborated by market data, and reflect the entity's assumptions for pricing the asset or liability. Example: private equity funds.

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The following tables present the investments carried at fair value on the Statement of Financial Position as of December 31, 2009 and 2008:

Fair Value Measurement Inputs	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 201,048,660	\$ 76,595,173	\$ -	\$ 277,643,833
Global bonds	223,376,242	100,685,368	-	324,061,610
Global equities	415,509,601	85,398,586	-	500,908,187
Alternative investments:				
Hedge funds	-	36,860,317	180,609,711	217,470,028
Private equity	-	-	184,310,919	184,310,919
Real estate and real estate funds	-	46,394,827	47,716,417	94,111,244
Real assets	-	36,726,920	33,079,488	69,806,408
Derivatives	-	14,384,208	-	14,384,208
Total	\$ 839,934,503	\$ 397,045,399	\$ 445,716,535	\$ 1,682,696,437

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 258,977,341	\$ 150,000	\$ 24,972,123	\$ 284,099,464
Global bonds	249,223,491	18,477,541	2,983,054	270,684,086
Global equities	338,845,798	108,811	8,080,712	347,035,321
Alternative investments:				
Hedge funds	-	-	206,301,371	206,301,371
Private equity	-	-	165,254,749	165,254,749
Private real estate	-	52,544,177	35,440,299	87,984,476
Real assets	-	17,913,168	28,362,911	46,276,079
Derivatives	-	(6,057,800)	-	(6,057,800)
Total	\$ 847,046,630	\$ 83,135,897	\$ 471,395,219	\$ 1,401,577,746

Fair market valuation of alternative investments is based on information provided by fund managers, external investment advisors, and other market factors to determine if the carrying value of these investments should be adjusted. Other factors may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Independent appraisals of significant real estate held for investment, and not in limited partnerships, are conducted every three to five years, depending on the nature of the investment.

One supporting organization holds direct investments in private companies. Valuations are reviewed quarterly using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income and cost approaches and may include, but are not limited to, valuations based on initial investment amount, recent transactions, the company's own assessment, liquidation value, present value of future cash flows and replacement cost.

SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

The following table includes a roll-forward of the amounts in the Statement of Financial Position for the years ended December 31, 2009 and 2008, (including the change in fair value) for investments classified within Level 3 of the fair value hierarchy:

	2009	2008
Balance, January 1	\$ 471,395,219	\$ 503,920,228
Net payments, purchases and sales	(24,762,236)	127,922,084
Realized gains (losses)	(9,117,597)	10,531,484
Unrealized gains (losses)	81,145,657	(170,978,577)
Reclassifications	(72,944,508)	-
Balance, December 31	<u>\$ 445,716,535</u>	<u>\$ 471,395,219</u>

The change in net assets, as reported in the Statement of Financial Position, attributable to unrealized gains on Level 3 investments held at December 31, 2009 and 2008, was \$81 million and \$(171) million, respectively.

Reclassifications include the transfer of \$7,893,826 from Level 2 to Level 3 because of the lack of observable market data due to decrease in market activity; and the transfer of \$80,838,334 from Level 3 to Level 2 based on guidance issued during 2009 relating to classification of commingled investment pools. The community foundation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer.

The following table presents the fair value of beneficial interests in split interest agreements including charitable trusts and life estates reflected on the Statement of Financial Position as of December 31, 2009 and 2008:

Fair Value Measurement Inputs	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Beneficial Interests in Charitable Remainder Trusts	\$ -	\$ -	\$ 6,879,672	\$ 6,879,672
Liabilities to beneficiaries from split interest agreements	\$ -	\$ -	\$ (38,576,374)	\$ (38,576,374)
	December 31, 2008			
	Level 1	Level 2	Level 3	Total
Beneficial Interests in Charitable Remainder Trusts	\$ -	\$ -	\$ 5,454,153	\$ 5,454,153
Liabilities to beneficiaries from split interest agreements	\$ -	\$ -	\$ (41,134,307)	\$ (41,134,307)

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The following tables include a roll forward of the amounts in the Statement of Financial Position for the year ended December 31, 2009 and 2008, (including the change in fair value) for the above amounts:

Balance, January 1, 2008	\$ 5,825,858
Net payments, purchases and sales	-
Realized gains	-
Unrealized losses	(371,705)
	<u>5,454,153</u>
Balance, December 31, 2008	5,454,153
Net payments, purchases and sales	163,744
Realized gains	-
Unrealized gains	1,261,775
	<u>1,261,775</u>
Balance, December 31, 2009	<u>\$ 6,879,672</u>

Balance, January 1, 2008	\$ 58,914,590
New trusts during 2008	498,995
Trust maturities during 2008	(610,279)
Decrease in value due to change in actuarial life expectancy	(5,132,157)
Decrease in value in estimated fair value of underlying trust assets	(12,536,842)
	<u>41,134,307</u>
Balance, December 31, 2008	41,134,307
New trusts during 2009	1,918,438
Trust maturities during 2009	(1,052,350)
Reclassification of CRT	(9,201,997)
Change in value due to change in actuarial life expectancy	(916,057)
Change in value in estimated fair value of underlying trust assets	6,694,033
	<u>6,694,033</u>
Balance, December 31, 2009	<u>\$ 38,576,374</u>

Silicon Valley Community Foundation resigned as co-trustee of a charitable remainder trust, resulting in reclassification of the assets in the trust.

While the community foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

The following schedule summarizes the investment returns for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Investment income	\$ 23,428,329	\$ 32,692,759
Realized and unrealized gains (losses)	195,145,230	(401,932,197)
Direct investment related expenses	(7,230,327)	(7,480,210)
	<u>\$ 211,343,232</u>	<u>\$ (376,719,648)</u>

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The community foundation and its supporting organizations have commitments under venture capital partnership agreements to make additional capital contributions. At December 31, 2009, those commitments are approximately \$100,800,000.

NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2009, are expected to be collected as follows:

	Less than one year	Greater than one year
Contributions receivable	\$ 7,412,057	\$ -
Grants receivable	814,081	333,333
Total	<u>\$ 8,226,138</u>	<u>\$ 333,333</u>

NOTE 5 – NOTES AND OTHER RECEIVABLE, NET

Notes receivable as of December 31, 2009, consist of the following:

	Less than one year	Greater than one year
Silicon Valley Arts Funds	\$ 1,156,739	\$ -
Program related loans	170,000	1,293,260
Executive loans	44,028	329,884
Other receivables	361,150	70,522
Total	<u>\$ 1,731,917</u>	<u>\$ 1,693,666</u>

Program related loans are stated at the amount of unpaid principal. A program officer is assigned to monitor the payments and the ongoing stability of the organization. An allowance in the amount of \$823,500 has been provided for at December 31, 2009, to account for potential uncollectible amounts which principally relates to one organization who has filed for bankruptcy.

An outstanding executive loan exists in the amount of \$373,912 at December 31, 2009 to the current CEO and President of the community foundation. The loan was issued when the CEO was hired in 2006 to assist in locating affordable housing as he transitioned from the Mid West to the West Coast. It bears interest at 4.73% per annum and will mature in 2016. The annual payment of principal and interest, in the amount of \$62,850 for each fiscal year 2009 and 2008 was forgiven.

SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2009 and 2008:

	2009	2008
Leasehold interest in building	\$ 18,700,000	\$ 18,700,000
Leasehold improvements	16,672,053	17,632,430
Office equipment and other	2,140,120	1,969,381
Computer equipment	1,053,861	1,148,811
Total	38,566,034	39,450,622
Less: accumulated depreciation and amortization	(5,776,800)	(6,200,675)
Property and equipment, net	\$ 32,789,234	\$ 33,249,947

NOTE 7 – GRANTS PAYABLE

Grants payable are expected to be disbursed as follows:

Year ending December 31,	Amount
2010	\$ 46,137,038
2011	19,977,368
2012	12,144,864
2013	66,965,000
2014	725,000
Thereafter	1,675,000
Total	147,624,270
Discount	(7,774,428)
Grants payable, net	\$ 139,849,842

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following at December 31, 2009 and 2008:

	2009	2008
Charitable Remainder Trusts and Irrevocable Planned Gifts	\$ 7,563,263	\$ 6,859,095
Special projects	3,391,319	3,664,528
Endowment (unappropriated earnings)	32,951,373	-
Total	\$ 43,905,955	\$ 10,523,623

The increase in temporarily restricted net assets for the endowment is due to the reclassification of net assets based on the implementation of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). (See Note 10)

SILICON VALLEY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted for the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Charitable Remainder Trusts and Irrevocable Planned Gifts	\$ 5,905,682	\$ 7,037,522
Endowment	87,599,079	19,888,814
Total	<u>\$ 93,504,761</u>	<u>\$ 26,926,336</u>

The increase in permanently restricted net assets for the endowment is due to the reclassification of net assets based on the implementation of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). (See Note 10)

NOTE 10 – ENDOWMENT DISCLOSURES

The community foundation is required to provide information about net assets which are defined as endowment. Classifications include endowment which is permanently restricted by donors (permanently restricted net assets) and endowment which has been board designated. The changes in endowment net assets for the years ended December 31, 2009 and 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2008	\$ 160,566,832	\$ -	\$ 19,888,814	\$ 180,455,646
Investment return:				
Investment income	5,546,468	-	-	5,546,468
Net depreciation (realized and unrealized)	(35,884,532)	-	-	(35,884,532)
Total investment return	<u>(30,338,064)</u>	<u>-</u>	<u>-</u>	<u>(30,338,064)</u>
Contributions	5,458,499	-	-	5,458,499
Appropriation of endowment assets for expenditure	(14,266,511)	-	-	(14,266,511)
Other changes:				
Transfers to/(from) board-designated endowment funds	<u>(273,525)</u>	<u>-</u>	<u>-</u>	<u>(273,525)</u>
Endowment net assets, December 31, 2008	121,147,231	-	19,888,814	141,036,045
Investment return:				
Investment income	5,586,763	-	-	5,586,763
Net appreciation (realized and unrealized)	26,259,989	-	-	26,259,989
Total investment return	<u>31,846,752</u>	<u>-</u>	<u>-</u>	<u>31,846,752</u>
Contributions	869,165	-	6,685,947	7,555,112
Appropriation of endowment assets for expenditure	(14,112,409)	-	-	(14,112,409)
Other changes:				
Transfers to/(from) board-designated endowment funds	8,543,936	-	-	8,543,936
Other transfers	-	-	16,270,940 (*)	16,270,940
UPMIFA reclassifications	<u>(77,704,751)</u>	<u>32,951,373</u>	<u>44,753,378</u>	<u>-</u>
Endowment net assets, December 31, 2009	<u>\$ 70,589,924</u>	<u>\$ 32,951,373</u>	<u>\$ 87,599,079</u>	<u>\$ 191,140,376</u>

**SILICON VALLEY COMMUNITY FOUNDATION
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	December 31, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	\$	\$	\$	\$
Donor restricted endowments	(4,585,873)	32,951,373	87,599,079	115,964,579
Board designated endowments	75,175,797	-	-	75,175,797
Total	<u>\$ 70,589,924</u>	<u>\$ 32,951,373</u>	<u>\$ 87,599,079</u>	<u>\$ 191,140,376</u>
	December 31, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments	\$ (4,307,284)	\$ -	\$ 19,888,814	\$ 15,581,530
Board designated endowments	125,454,515	-	-	125,454,515
Total	<u>\$ 121,147,231</u>	<u>\$ -</u>	<u>\$ 19,888,814</u>	<u>\$ 141,036,045</u>

(*) The community foundation, through the UPMIFA review, aligned the classification of net assets which were applied differently at each legacy foundation.

NOTE 11 – RELATED PARTY TRANSACTIONS

In addition to the Note Receivable from the CEO and President described in Note 5, the community foundation had the following related party transactions:

Board members may hold interests or may be employed by corporations or partnerships held as investments by the community foundation. A conflict of interest policy has been established which covers investments and vendor relationships with Board members, volunteers, and staff.

The community foundation's volunteer members of the Board of Directors are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board of Directors or from companies with which the Board of Directors are affiliated were approximately \$1,004,000 and \$15,333,000 for the years ended December 31, 2009 and 2008, respectively.

The community foundation utilizes the services of an investment manager whose founder is also the founder of one of the community foundations supporting organizations. In-kind investment management service fees of approximately \$1,500,000 and \$1,600,000 were donated by the investment manager during the years ended December 31, 2009 and 2008, respectively.

NOTE 12 – DEPOSITS HELD FOR OTHERS

At December 31, 2009 and 2008, the community foundation held assets for 78 and 79 nonprofit organizations. The assets are held in funds that are managed by the community foundation on an agency relationship basis. The following table summarizes the activity in such funds during the year then ended.

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	2009	2008
Nonprofit fund balances, beginning of year	\$ 55,164,888	\$ 32,270,842
Amounts raised in contributions or transferred in	4,339,109	34,418,777
Dividend and interest income, net of investment fees	505,321	464,992
Realized and unrealized investment returns	10,502,866	(8,866,389)
Grants	(4,071,941)	(2,853,441)
Expenses	(733,354)	(269,893)
Nonprofit fund balances, end of year	<u>\$ 65,706,889</u>	<u>\$ 55,164,888</u>

NOTE 13 – RETIREMENT PLANS

The Foundation has a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, for which substantially all employees are eligible. Employees may elect to make contributions to the plan under salary deferral provisions and are considered eligible for those voluntary contributions on the first day of employment. The community foundation contributes 5% of salary to the plan for all eligible employees, as defined, on a pay period basis beginning with the second year of employment. Contributions to the plan for the years ended December 31, 2009 and 2008, were \$409,644 and \$875,258, respectively.

The community foundation also provides a defined contribution plan under Section 457(b) of the Internal Revenue Code for all employees that are members of a select group of management and highly compensated employees. The employees may elect to make contributions to the plan under a salary reduction agreement. Contributions are at the discretion of the community foundation. Contributions by the community foundation for the years ended December 31, 2009 and 2008, were \$8,012 and \$15,500, respectively.

NOTE 14 – COMMITMENTS

The main office facility in Mountain View is under an operating lease with a term of 10 years, expiring August 2017. The community foundation also maintains conference and office space in San Mateo with a lease that has a term of 10 years expiring in December 2019. Following is a schedule of future minimum rental payments under its non-cancelable operating leases.

Year ending December 31,	Amount
2010	\$ 1,983,627
2011	2,050,105
2012	2,100,421
2013	2,152,614
2014	2,206,807
Thereafter	6,287,168
	<u>\$ 16,780,742</u>

Rental expense consisted of approximately \$1,778,500 and \$1,664,000 for the years ended December 31, 2009 and 2008 respectively, for the main office facility and approximately \$1,110,000 for the satellite offices for the year ended December 31, 2009. Sublease income for the community foundation's offices was \$385,310 for the year ended December 31, 2009. Sub-lease income under the sub-tenant leases through 2010 is expected to be approximately \$94,468.

The community foundation closed two of its satellite offices during 2009.