At Silicon Valley Community Foundation, our capacity to serve the community is directly tied to our role as financial stewards. Through the charitable assets entrusted to us, the community foundation and its donors are able to support innovative programs and nonprofit organizations working to help people and solve social problems.

Like most organizations, whether nonprofit, for profit or government, the community foundation was affected by the global recession that began in 2008 and marked the beginning of one of the most challenging economic environments in the history of our nation.

With strong financial controls and engaged board oversight, we acted early and decisively to streamline operations, achieve efficiencies and control costs. Those decisions, which included reductions in staff in early 2009, were difficult and painful. We were able to reduce our operational expenses by $1.1 million with a minimum of impact on our services to donors or the nonprofit community. And while our total assets declined by 25 percent at the end of 2008, we are pleased that total assets have begun to rebound in 2009 with the gradual improvement of the stock market. We remain positioned to continue our mission of strengthening the common good today and for years to come.

This year marks the second Investing in the Common Good report, a comprehensive look at our financial health that focuses on our audited financial report and investment portfolio. Our intent is to provide useful financial information on a more timely basis than an annual report describing our programs, which we release separately. Furthermore, this report is consistent with our values of public accountability, integrity and responsiveness.

Throughout the past year, we communicated our financial strategies and actions through our e-newsletters as well as interactive meetings and conference calls at which donors, corporate partners and nonprofit fund holders could hear directly from our finance staff and our investment consultant.

As audit committee chair Richard Wilkolaski notes, we are extremely pleased that our internal controls have once again resulted in a clean audit. For an organization of our size and complexity, which processes more than 200 grants every week and manages more than 1,500 separate funds, we are very pleased with this result.

Our investment committee chair, Jane Williams, explains how the expanded diversification of our investment portfolio has helped us weather the market’s volatility. And Mike Miller of Colonial Consulting LLC, our investment consultant, believes that in light of the extreme market conditions, we are well positioned to achieve long-term strong results.

Finally, this report provides a look at grants awarded and gifts received in 2008. With the help of our generous individual and corporate donors, the community foundation awarded $291 million in grants last year.

Through our endowment and discretionary funds, we awarded $8.8 million in grants in 2008 within San Mateo and Santa Clara counties, including more than $3 million for food and shelter at a time of rapidly rising need. Our community endowment will continue to be a permanent, charitable resource, providing an unrestricted source of funding that enables us to respond to our region’s most pressing challenges.

Now, more than ever, those needs are growing and we want to take this opportunity to thank the many partners who have stepped forward to help support our endowment and grantmaking strategies. On behalf of the staff and board, we thank you for your ongoing partnership and are honored to count you among the individuals, families, corporations and nonprofits we serve.

If you have additional questions, please visit our website at www.siliconvalleycf.org or contact us at donate@siliconvalleycf.org.
Overview of Assets by Fund Type

Total assets on December 31, 2008 were $1.46 billion compared to total assets on December 31, 2007 of $1.94 billion. The change represents a decrease of nearly 25 percent. Although this is a difficult number to report, it represents both market declines and a 20 percent increase in grantmaking from 2007. Given the unprecedented losses in the markets, we believe that our investment strategies and portfolio diversification have served us well.

Advised and corporate funds comprise more than half of the community foundation’s assets, providing support for nonprofit organizations locally, nationally and internationally. Partnering with the community foundation offers fund advisers expert investment management, oversight and maximum tax benefits along with the flexibility to recommend charitable giving to the causes they care about most.

Supporting organizations make up 28 percent of total assets. Like donor advised funds, these organizations receive the maximum tax benefits for their donors, but they maintain their own boards, investment policy and charitable status. The community foundation provides back office support, including management of investments as requested, tax reporting, regulatory compliance, grant payments, expense and budget monitoring, as well as due diligence and reporting. In turn, these organizations support the work of the community foundation through their grantmaking.

Community endowment and field of interest funds make up 10 percent of assets and are at the heart of our commitment to local communities. These funds provide approximately $8 million a year in discretionary money for the community foundation’s grantmaking strategies. Our spending policy of 5 percent for grants, averaged over 12 trailing quarters, ensures that these funds will continue to grow into the future.

In addition to grants, the community foundation provides support to local nonprofit organizations by offering investment opportunities. Today, 79 organizations rely on the financial expertise of our staff, consultant and investment committee to manage their assets.

An additional 150 funds were established by donors for specific nonprofit organizations. Through these designated funds, the community foundation ensures that the organization continues to operate in good standing and that grants are made regularly to support operations or specific programs.

The community foundation’s scholarship program, which comprises 4 percent of total assets, gave 291 aspiring students a total of more than $692,000 for college tuition in 2008.

Finally, the community foundation is trustee of 57 charitable remainder trusts. These trusts provide income to individuals during their lifetimes or for a period of years, with the remainder going to the community foundation and other charities.
A Note From Richard Wilkolaski
Audit Committee Chair

The end of 2008 marked the community foundation’s second full year as one of the largest community foundations in the country. We are extremely proud of the accomplishments of our first two years, not the least of which is the completion of our second successful financial audit by the independent firm, Moss Adams LLP. Consistent with best practice, the Audit Committee retains the audit firm and specifies and oversees the scope of work.

We have a commitment to strong internal controls, transparency and accountability that is an integral element of our fiduciary responsibility to our community. We have not escaped the economic challenges of this past year, but we are pleased we have been able to navigate the challenges through professional and prudent oversight of the assets entrusted to us.

During the last fiscal year, our staff consolidated two accounting systems, merged investment pools, streamlined operations to further strengthen internal controls, and created systems to manage new compliance standards for investment valuations and fund management.

Consolidated Statement of Financial Position, December 31, 2008 and 2007 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$12,783</td>
<td>$51,327</td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td>1,401,578</td>
<td>1,842,879</td>
</tr>
<tr>
<td>Contributions and grants receivable</td>
<td>5,403</td>
<td>11,524</td>
</tr>
<tr>
<td>Notes and other receivables</td>
<td>4,935</td>
<td>7,110</td>
</tr>
<tr>
<td>Contributions receivable from charitable trusts</td>
<td>5,454</td>
<td>6,443</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>33,250</td>
<td>22,137</td>
</tr>
<tr>
<td>Other assets</td>
<td>851</td>
<td>1,467</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,464,254</td>
<td>1,942,887</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants payable</td>
<td>45,253</td>
<td>34,035</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>1,628</td>
<td>2,365</td>
</tr>
<tr>
<td>Liability to beneficiaries from split interest agreements</td>
<td>41,134</td>
<td>44,635</td>
</tr>
<tr>
<td>Deposits held for others</td>
<td>55,165</td>
<td>32,271</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>143,180</td>
<td>113,306</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,283,624</td>
<td>1,784,627</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>10,524</td>
<td>14,885</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>26,926</td>
<td>30,069</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>1,321,074</td>
<td>1,829,581</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$1,464,254</td>
<td>$1,942,887</td>
</tr>
</tbody>
</table>
Although our total assets declined in 2008, we continue to manage more than 1,500 individual funds with total assets of nearly $1.5 billion, and we granted more than $291 million to nonprofit organizations locally, nationally and internationally. On behalf of the audit committee, I am pleased to present our audited financials and to invite all our constituents to view our complete report online at www.siliconvalleycf.org. The information on these pages has been derived from the audited statements and should be read in conjunction with those statements.

**About Richard Wilkolaski:**

Richard Wilkolaski has served as a certified public accountant, business advisor and court expert witness for more than 35 years. He is a partner at Seiler LLP, a regional public accounting firm.

### Consolidated Statement of Activities, December 31, 2008 and 2007 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td><strong>REVENUES AND SUPPORT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$186,263</td>
<td>$4,601</td>
</tr>
<tr>
<td>Realized gains (losses) on investments</td>
<td>243</td>
<td>243</td>
</tr>
<tr>
<td>Change in value of split interest agreements</td>
<td>12</td>
<td>3,462</td>
</tr>
<tr>
<td>Other income</td>
<td>4,531</td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>5,524</td>
<td>(5,500)</td>
</tr>
<tr>
<td>Unrealized gains (losses) on investments</td>
<td>(402,175)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES AND SUPPORT</strong></td>
<td>(180,389)</td>
<td>(4,361)</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants awarded</td>
<td>291,097</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs</td>
<td>18,144</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>8,930</td>
<td>-</td>
</tr>
<tr>
<td>Development</td>
<td>2,443</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>320,614</td>
<td></td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>(501,003)</td>
<td>(4,361)</td>
</tr>
<tr>
<td><strong>NET ASSETS, beginning of year</strong></td>
<td>1,784,627</td>
<td>14,885</td>
</tr>
<tr>
<td><strong>NET ASSETS, end of year</strong></td>
<td>$1,283,624</td>
<td>$10,524</td>
</tr>
</tbody>
</table>
A Note From Jane Williams
Investment Committee Chair

The role of the investment committee is to assist the board of directors in fulfilling its fiduciary duty to ensure prudent investment of the assets entrusted to the community foundation. Assets gifted to the community foundation include cash, public and private securities, and real estate received by the Real Estate Trust at Silicon Valley Community Foundation. These contributions are maintained in endowments, donor advised funds, charitable trusts and other types of funds.

With the support of Colonial Consulting LLC, an independent investment advisor serving foundations and endowments, the investment committee establishes policy guidelines and objectives, controls risk through diversification, and monitors performance and expenses. The committee is also responsible for evaluating and approving asset allocation, new investment managers and changes recommended by Colonial Consulting.

Asset allocation, diversification and manager selection are key strategies for achieving strong investment performance in a variety of market conditions. Two years ago, the community foundation’s investment pools were significantly expanded with the addition of new asset classes and managers. We are pleased that this strategy has been effective in buffering losses during a period of historic market dislocation not experienced since the 1930s.

Additional diversification was added in the first half of 2009 to provide enhanced opportunities in the event that markets deliver many years of extreme volatility with or without significant gains. For example, an allocation to Treasury inflation-protected securities was added to protect against inflation and high-yield corporate bonds were added to the fixed income portion of the longer-term pools. Exposure to emerging markets was also added to the Social Impact Pool.

In summary, it typically requires a full market cycle of three to five years to demonstrate the added value of a particular investment strategy and whether the selected managers are performing relative to their benchmarks. We believe that our current strategy and managers are well positioned to add value both in today’s uncertain and volatile markets as well as when the market recovers and steady growth returns.

### Investment Performance

<table>
<thead>
<tr>
<th>Investment Portfolio</th>
<th>Assets* (millions)</th>
<th>Year ended</th>
<th>6 mos ended</th>
<th>Year ended</th>
<th>2 years ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Endowment</td>
<td>$94.8</td>
<td>-29.3%</td>
<td>9.3%</td>
<td>-17.6%</td>
<td>-22.0%</td>
</tr>
<tr>
<td>Long-Term Growth Pool</td>
<td>$400.7</td>
<td>-25.0%</td>
<td>6.7%</td>
<td>-16.2%</td>
<td>-19.7%</td>
</tr>
<tr>
<td>Social Impact Pool</td>
<td>$26.5</td>
<td>-30.5%</td>
<td>9.7%</td>
<td>-16.9%</td>
<td>-18.9%</td>
</tr>
<tr>
<td>Balanced Pool</td>
<td>$69.3</td>
<td>-18.9%</td>
<td>9.6%</td>
<td>-8.3%</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Short-Term Pool</td>
<td>$42.4</td>
<td>3.8%</td>
<td>1.9%</td>
<td>4.1%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Capital Preservation Pool</td>
<td>$180.2</td>
<td>2.8%</td>
<td>0.6%</td>
<td>1.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Charitable Remainder Trusts</td>
<td>$40.5</td>
<td>-25.7%</td>
<td>4.4%</td>
<td>-16.9%</td>
<td>-22.4%</td>
</tr>
</tbody>
</table>

**Benchmarks**

- S&P 500: -37.0%, 3.0%, -32.6%, -41.4%
- Barclays Capital US Aggregate: 5.2%, 1.3%, 5.4%, 12.9%
- US T-Bills: 2.4%, 0.1%, 1.5%, 5.3%

* Other assets are invested in supporting organizations, individually managed funds and cash

### About Jane Williams

Jane Williams is chief executive officer and co-founder of Sand Hill Advisors, a registered investment advisory firm located in Palo Alto, CA.
Silicon Valley Community Foundation’s Investment Philosophy

As stewards of charitable capital, Silicon Valley Community Foundation invests its assets to provide support for the region’s needs today as well as for future generations.

Fund advisors are offered a variety of investment options that form a consistent risk continuum over time. In general, higher risk offerings are appropriate for fund advisors with long-term charitable objectives while lower risk options are best for those who plan to recommend grant distributions in a shorter time frame. Assets of lower risk options are heavily allocated to a variety of fixed income approaches. For moderate to higher risk options, diversification expands to include global equities, additional fixed income and a broad selection of alternative investment strategies. The graph at right illustrates diversification of the Long-Term Growth Pool as an example.

Throughout this challenging market environment, we have actively reviewed and analyzed our investment strategy and results and continue to believe that our strategy is well designed to limit losses in down markets and to outperform in up markets. During difficult periods we believe it is essential to remain focused on a coherent philosophy geared toward achieving investment goals. Our philosophy is as follows:

- Construct a strategic asset allocation that is expected to achieve the portfolio’s return objectives and maximize returns given a prudent level of risk.
- Diversify the portfolio by asset class and investment strategy to maximize the likelihood of achieving those objectives under a variety of economic and market conditions.
- Avoid the temptation to change strategy based on short-term market behavior or near-term outlook. Strategy is based on long-term objectives and risk tolerance.
- Conduct rigorous due diligence to find and retain best-in-class investment managers.

This philosophy is applied to each investment portfolio with differences in strategy depending on the portfolio’s time horizon.

Specifically, our widely diversified approach has helped dampen losses in longer term portfolios through allocations to fixed income and hedge funds. In addition, diligent rebalancing has allowed equity managers to take advantage of market declines and acquire solid investments at inexpensive prices.

Our consistent strategy and careful stewardship is working well against benchmarks and has been noticed by others. Increasingly, individuals, corporations and trustees of nonprofits, private foundations and charitable remainder trusts are choosing the community foundation to invest and administer their charitable assets. We are pleased to support the philanthropy of so many in this way.

You can read more about our investment philosophy and options at www.siliconvalleycf.org.
Where did our grants come from?

In 2008, the community foundation awarded more than $291 million in grants. Those grants included $168 million from donor advised funds; $8.8 million from our endowment, field of interest and discretionary funds; and $114 million from all other funds.

The community foundation issued more than 11,000 grants in 2008, a slight increase from 2007, and overall giving increased by approximately $50 million.

However, the proportion of total giving from donor advised funds declined in 2008 by 15 percent, while giving from supporting organizations, corporate partners and special project funds increased by 18 percent.

Where did our grants go?

In 2008, approximately 38 percent of the $291 million in grants supported local causes in our two-county region, an increase of 5 percent from the previous year while another 26 percent of grants were made to nonprofits in other Bay Area counties. A total of 5 percent was distributed internationally to grantees operating outside of the United States or directly to U.S. intermediaries, such as Give2Asia. The remaining 31 percent was distributed in other parts of California and nationally.
What causes did we support?

Programmatic distribution of the foundation’s overall grantmaking for 2008 illustrates the investment of the community foundation and its donors in education, supporting families, building community, health and other areas. In September of 2008, the community foundation established new grantmaking strategies for its endowment.

Those strategies are education, immigrant integration, economic security, regional planning and a community opportunity fund, which has been directed toward food and shelter services through our Safety Net Fund.

In December 2008, the community foundation awarded $3 million in grants to food and shelter providers in San Mateo and Santa Clara counties.

What type of gifts were received?

In 2008, the community foundation received $191 million in new gifts. Of that amount, 40 percent came in the form of appreciated securities. The contraction in the market resulted in a 23 percent decrease in gifts from securities compared to 2007, a decline in gifts of real estate by 8 percent and a 28 percent increase in gifts of cash.

The Real Estate Trust at Silicon Valley Community Foundation, which provides expertise in managing contributions and sales of property, received 4 percent of gifts, or about $8 million.
What was the source of those gifts?

Individuals, families and corporations make up the majority of the contributors to our funds. The community foundation also receives funds from private foundations and nonprofit organizations that want to take advantage of our expertise in grantmaking, investing and managing charitable assets.

Other gifts include bequests and estate distributions to support our endowment. We are especially appreciative of the assistance we receive from financial advisors, attorneys and accountants throughout the region.

How do we support initiatives?

In addition to being a grantmaker, the community foundation manages a number of special programs – our initiatives. Some of these initiatives were launched by our parent foundations and we take pride in enhancing their legacy of leveraging public-private partnerships to increase support for our community. These initiatives are funded by private foundations, local governments and our community endowment funds. Since 2005, those initiatives have attracted more than $17 million in funding commitments that extend through 2011. These initiatives span everything from strengthening nonprofits to early learning and education, and youth development. A little over half of the funding for our initiatives (56 percent) comes from public sources, 21 percent from private foundations, 11 percent from individual donors and 12 percent from the community foundation’s unrestricted endowment.
How do we support operations?

Support for general operations comes primarily from fees charged to funds under management. The market downturn has had its effect here as well, just as it has on businesses and nonprofit organizations across the nation. Fee revenue, as a percent of total operational revenue, declined from 92% in 2007 to 85% in 2008 and interest income declined from 6% to 2%. These declines necessitated the use of a portion of operating reserves that had been carefully accumulated over a number of years for just such an event.

Of the $29.5 million in operating expenses on the Statement of Activities, $14.3 million is general operations and programmatic work.

That represents 84 basis points (.84 percent) of average total assets during the year. The remaining $15.2 million includes operating costs for supporting organizations and special projects, as well as some residual merger costs.

Silicon Valley Community Foundation makes all forms of philanthropy more powerful

We provide visionary community leadership by identifying emerging challenges in our region. We address those challenges through our grantmaking programs, our research and our ability to bring together diverse groups of problem-solvers. We build and energize a community of philanthropists who strengthen the common good.

One of our core strengths is professional investment management of the funds individual and corporate donors entrust to us. Unlike financial management companies, we offer expert guidance on the art and science of giving. We use our expertise to make giving easy and effective, helping donors achieve their philanthropic goals whether local, national and international.

Our leadership is rooted in our strong point of view on social equality as well as our collaborative relationships with the nonprofit groups and institutions advancing the best ideas.
SILICON VALLEY COMMUNITY FOUNDATION BOARD OF DIRECTORS
* indicates member of the Audit or Investment Committee

*Nancy H. Handel, Chair
Retired Senior Vice President,
Chief Financial Officer,
Applied Materials Inc.

*John M. Sobrato, Vice Chair
Chief Executive Officer,
Sobrato Organization

Laura Arrillaga-Andreessen
Stanford Graduate School of Business

Jayne Battey
Community Leader

Gloria Brown
Community Leader

Emmett D. Carson, Ph.D.
CEO and President

Caretta Coleman
Principal, Coleman Consulting

Thomas J. Friel
Retired Chairman,
Heidrick & Struggles International, Inc.

Gregory M. Gallo
Partner, DLA Piper, USL, LLP

*Narendra Gupta
Managing Director,
Nexus India Capital

Susan M. Hyatt
Community Leader

William S. Johnson
President & CEO,
Embarcadero Publishing Co.

Anne F. Macdonald
Frank, Rimerman & Co, LLP

Ivonne Montes de Oca
The Pinnacle Company

C.S. Park
Former chairman and CEO,
Maxtor Corp.

Jennifer Raiser
The Raiser Organization

Sanjay Vaswani
Center for Corporate Innovation

*Richard Wilkolaski
Seiler LLP

*Erika Williams
Managing Director,
The Erika Williams Group

*Jane Williams
Chief Executive Officer,
Sand Hill Advisors

*Gordon Yamate
Former Vice President and General
Counsel, Knight Ridder