



*Report of Independent Auditors and  
Consolidated Financial Statements*

**Silicon Valley Community Foundation**

*December 31, 2017 (with comparative totals  
for the year ended December 31, 2016)*



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## **Report of Independent Auditors**

The Audit Committee  
Silicon Valley Community Foundation

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Silicon Valley Community Foundation (a California public benefit corporation) and its supporting organizations and affiliates which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Silicon Valley Community Foundation and its supporting organizations' and affiliates' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of a Matter***

As discussed in Note 2 to the consolidated financial statements, as of December 31, 2017, the Foundation adopted Accounting Standards Update (“ASU”) 2016-14, Presenting Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Silicon Valley Community Foundation and its supporting organizations and affiliates as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Silicon Valley Community Foundation and its supporting organizations and affiliates’ 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California  
June 14, 2018

**Consolidated Financial Statements**

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**Silicon Valley Community Foundation**  
**Consolidated Statements of Financial Position**  
**December 31, 2017 and 2016**  
**(in thousands)**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 83,730	\$ 48,400
Investments	13,415,902	8,168,894
Contributions and grants receivable	19,817	4,325
Notes and other receivables, net	22,688	2,834
Beneficial interest in charitable remainder trusts	5,462	2,902
Property and equipment, net	35,686	36,505
Other assets	825	839
	<u>13,584,110</u>	<u>8,264,699</u>
Total assets	<u>\$ 13,584,110</u>	<u>\$ 8,264,699</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Grants payable	\$ 734,684	\$ 671,680
Accounts payable and accrued liabilities	6,002	3,320
Liabilities to beneficiaries from split interest agreements	35,237	33,251
Deposits held for others	122,407	109,099
	<u>898,330</u>	<u>817,350</u>
Total liabilities	<u>898,330</u>	<u>817,350</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	12,379,566	7,210,669
Designated by the Board for endowment	129,369	73,981
	<u>12,508,935</u>	<u>7,284,650</u>
With donor restrictions		
Charitable remainder trusts and irrevocable plan gifts	18,305	13,166
Special projects	11,937	5,448
Endowment	146,603	144,085
	<u>176,845</u>	<u>162,699</u>
Total net assets	<u>12,685,780</u>	<u>7,447,349</u>
Total liabilities and net assets	<u>\$ 13,584,110</u>	<u>\$ 8,264,699</u>

**Silicon Valley Community Foundation**  
**Consolidated Statements of Activities**  
**Year Ended December 31, 2017**

**(with comparative totals for the year ended December 31, 2016) (in thousands)**

	2017		2016	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 1,371,851	\$ 10,260	\$ 1,382,111	\$ 1,383,888
Investment income	5,693,979	13,409	5,707,388	456,551
Change in value of split interest agreements	(77)	4,691	4,614	828
Other income	9,432	-	9,432	7,805
Net assets released from restriction pursuant to endowment spending-rate distribution formula	10,030	(10,030)	-	-
Net assets released from restrictions and reclassifications	4,184	(4,184)	-	-
<b>TOTAL REVENUES AND SUPPORT</b>	<u>7,089,399</u>	<u>14,146</u>	<u>7,103,545</u>	<u>1,849,072</u>
<b>EXPENSES</b>				
Grants awarded	1,807,990	-	1,807,990	1,285,339
Program	36,760	-	36,760	39,638
General and administrative	16,064	-	16,064	12,664
Fundraising and development	4,300	-	4,300	3,521
<b>TOTAL EXPENSES</b>	<u>1,865,114</u>	<u>-</u>	<u>1,865,114</u>	<u>1,341,162</u>
<b>CHANGE IN NET ASSETS</b>	5,224,285	14,146	5,238,431	507,910
<b>NET ASSETS</b> , beginning of year	<u>7,284,650</u>	<u>162,699</u>	<u>7,447,349</u>	<u>6,939,439</u>
<b>NET ASSETS</b> , end of year	<u>\$ 12,508,935</u>	<u>\$ 176,845</u>	<u>\$ 12,685,780</u>	<u>\$ 7,447,349</u>

**Silicon Valley Community Foundation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2017**  
**(in thousands)**

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	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising &amp; Development</u>	<u>Total</u>
Grants awarded	\$ 1,807,990	\$ -	\$ -	\$ 1,807,990
Advertising	205	197	2	404
Audit and accounting fees	58	542	13	613
Consultants/professional services	8,029	709	21	8,759
Information technology	2,347	892	312	3,551
Insurance	181	256	25	462
Legal fees	240	277	222	739
Miscellaneous	5,668	1,989	-	7,657
Occupancy	3,336	2,879	275	6,490
Personnel	9,603	7,080	3,334	20,017
Program	3,082	-	-	3,082
Special events	3,310	163	-	3,473
Taxes	16	843	-	859
Other	685	237	96	1,018
	<u>\$ 1,844,750</u>	<u>\$ 16,064</u>	<u>\$ 4,300</u>	<u>\$ 1,865,114</u>
Total functional expenses	<u>\$ 1,844,750</u>	<u>\$ 16,064</u>	<u>\$ 4,300</u>	<u>\$ 1,865,114</u>

**Silicon Valley Community Foundation**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**  
**(in thousands)**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,238,431	\$ 507,910
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Loss on disposal of property and equipment	34	17
Depreciation and amortization	1,846	1,905
Noncash contributions	(84,860)	(155,644)
Contributions received for long-term purposes	(10,260)	(703)
Net realized and unrealized (gains) from changes in fair value of investments	(5,637,533)	(409,274)
Changes in assets and liabilities		
Contributions and grants receivable	(15,492)	7,952
Notes and other receivables, net	(19,981)	3,781
Fair value of charitable remainder trusts and related accounts	(574)	(210)
Other assets	14	266
Grants payable	63,004	440,650
Accounts payable and accrued liabilities	2,682	(105)
	<b>(462,689)</b>	<b>396,545</b>
Cash flows from (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	4,291,483	2,686,161
Purchases of investments	(3,816,098)	(3,146,572)
Payments received on notes receivable	127	597
Purchases of fixed assets	(1,061)	(10,620)
Deposits held for others	13,308	9,853
	<b>487,759</b>	<b>(460,581)</b>
Cash flows from (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received for long-term purposes	10,260	703
	<b>10,260</b>	<b>703</b>
Cash flows from financing activities		
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>35,330</b>	<b>(63,333)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>48,400</b>	<b>111,733</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 83,730</b>	<b>\$ 48,400</b>

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

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### NOTE 1 – DESCRIPTION OF THE FOUNDATION

Silicon Valley Community Foundation (“SVCF”) is a publicly supported, nonprofit public benefit corporation, which received its IRS exemption in November 2006 and officially launched in January 2007. Silicon Valley Community Foundation advances innovative philanthropic solutions to challenging problems. SVCF partners with families, individuals, and corporations to manage and facilitate their philanthropy. SVCF connects donors’ interests to the most pressing needs, whether in Silicon Valley or around the globe. As a comprehensive center for philanthropy, SVCF shapes critical public policy issues, partners with nonprofit groups and institutions advancing the best ideas and directs resources swiftly and strategically toward unforeseen needs.

#### **Mission:**

SVCF engages donors and corporations from Silicon Valley, across the country and around the globe to make our region and world better for all. Our passion for helping people and organizations achieve their philanthropic dreams has created a global philanthropic enterprise committed to the belief that possibilities start here.

#### **Programs:**

**Advised funds** – SVCF offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests. Donor advised funds allow donors to recommend grant recipients, subject to SVCF’s due diligence and approval. Collectively, these funds granted approximately \$1,200,000,000 and \$1,228,000,000 to charitable organizations during the years ended December 31, 2017 and 2016, respectively.

**Corporate advised** – SVCF manages one of the largest corporate advised fund programs among all U.S. based community foundations. SVCF assists in the grant making process, works with employee contribution committees, builds community-wide partnerships, and works with corporate fund holders on community relations activities. These funds made grants of approximately \$62,000,000 and \$50,000,000 during the years ended December 31, 2017 and 2016, 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. They grow through community support and provide much-needed funding for local programs and services. They allow SVCF 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, or human services), and/or geographic area or target population (e.g. senior citizens, children and youth or immigrants).

Together, the community endowment and field of interest funds granted approximately \$13,852,000 and \$15,600,000 to charities in San Mateo, Santa Clara, and San Francisco counties during the years ended December 31, 2017 and 2016, respectively.

**Scholarship funds** – SVCF administers 53 scholarship programs. The majority are designated for current or former residents of San Mateo and Santa Clara counties. During the years ended December 31, 2017 and 2016, SVCF awarded 343 and 475 scholarships totaling approximately \$1,576,000 and \$2,389,000, respectively.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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**Supporting organizations** – SVCF works with a number of supporting organizations. SVCF appoints a majority of the members of the governing boards of the supporting organizations. Each governing board may create its own investment policy and grant guidelines. In 2017 the following supporting organizations were effectively under SVCF’s control and were consolidated for financial statement purposes:

William H. Cilker Foundation	Entrepreneurs’ Foundation
Dirk and Charlene Kabcenell Foundation	Sobrato Foundation
The Chong-Moon Lee Foundation	Reddere Foundation
Bernard A. Newcomb Foundation	The Skoll Fund
Raising A Reader	The Star Hill Fund
Shuchman Lesser Foundation	Good Ventures
Intervalien Foundation	Neubauer Family Charitable Trust
Driscoll Family Foundation	DropBox Charitable Foundation
The Real Estate Trust	

During 2017, one new supporting organization, the Shuchman Lesser Foundation, was established.

**Affiliates** – In 2017, the following affiliates were effectively under SVCF’s control and were consolidated for financial statement purposes:

Resonance House, LLC	SVCF Inspire, LLC
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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The consolidated financial statements have been prepared on the accrual basis of accounting.

**Principles of consolidation** – The accompanying consolidated financial statements as of December 31, 2017 and 2016; include the financial statements of SVCF and its supporting organizations and affiliates, listed in Note 1 above. Inter-organizational transactions and balances have been eliminated in the consolidation.

**Prior year information** – The consolidated 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 SVCF and its supporting organizations’ and affiliates’ consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

**Cash and cash equivalents** – For consolidated financial statement purposes, SVCF and its supporting organizations and affiliates consider 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.

**New accounting pronouncement** – During 2017, SVCF adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is place in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Net assets have been reclassified for 2016 due to the adoption of ASU 2016-14 as of December 31, 2017 as follows:

Net Asset Classification 12/31/2016	ASU 2016-14 Classifications		Total Net Assets
	Without Donor Restriction Undesignated/ Board Designated	With Donor Restriction CRT/Special Projects/ Endowment	
Unrestricted	\$ 7,283,500,000	\$ -	\$ 7,283,500,000
Temporarily Restricted	-	60,852,000	60,852,000
Permanently Restricted	-	102,997,000	102,997,000
Net assets as previously presented	7,283,500,000	163,849,000	7,447,349,000
Reclassification			
Underwater endowments	1,150,000	(1,150,000)	-
Net assets as reported after adoption of ASU 2016-14	\$ 7,284,650,000	\$ 162,699,000	\$ 7,447,349,000

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

*Without Donor Restriction* is defined as that portion of net assets that has no use or time restrictions. The bylaws of SVCF include a variance provision giving the Board of Directors (the “Board”) 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 (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 that provision, SVCF classifies contributions, except as noted below, as without donor restriction for financial statement presentation.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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*With Donor Restriction* 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, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets consisting of the initial 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 are classified as with donor restriction. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restriction until appropriated for use based on SVCF's spending policy. SVCF 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 with donor restriction until the purpose restrictions are met. When the purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported as net assets released from restrictions.

**Investments** – Investments are stated at fair value. 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 willing market participants at the measurement date. SVCF and its supporting organizations and affiliates determines fair value based on the fair value hierarchy established under applicable accounting guidance which requires an entity to prioritize the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. Financial instruments are considered Level 1 when the valuation is based on quoted market prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation. Financial instruments are considered valued at net asset value ("NAV") when the investment (i.e., commingled funds, hedge funds, private equity funds) is valued at NAV based on capital statements provided by entities that calculate fair value using net asset value per share or its equivalent.

### **Endowment funds:**

*Interpretation of relevant law* – The Board of SVCF, with the advice of legal counsel, has determined it holds assets which meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). As a result of this interpretation, the corpus of funds subject to UPMIFA is classified as with donor restriction. 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 with donor restriction net assets until appropriated for expenditure by SVCF.

## Silicon Valley Community Foundation

### Notes to Consolidated Financial Statements

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From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below historical gift value. At December 31, 2017 and December 31, 2016, SVCF had 9 and 22 endowment funds with deficiencies of this nature totaling approximately \$588,288 and \$1,146,465, respectively. These deficiencies are reflected in net assets with donor restriction.

	<u>2017</u>	<u>2016</u>
Fair Value of Underwater Endowments	\$ 10,912,612	\$ 21,447,261
Original endowment gift amount	<u>11,498,900</u>	<u>22,593,726</u>
Deficiencies of underwater endowment funds	<u>\$ (586,288)</u>	<u>\$ (1,146,465)</u>

In accordance with UPMIFA, SVCF 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 SVCF.

*Investment and spending policies* – SVCF 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, SVCF 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). SVCF targets a diversified asset allocation with an emphasis on equity based investments, within prudent risk parameters.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

The spending policy determines the amount of money to be distributed annually from SVCF's various endowed funds for grantmaking and operational support. The Board generally approves the spending policy in the fourth quarter of the year for grants to be made in the following year. SVCF assesses a support fee to endowed funds which is added to the spending rate for grants and is a component of the total spending policy. The spending policy for support fees ranges from .5% to 3.5% of the average daily balance of the fund over the previous month, and varies by fund type. The spending policy for grants varies by fund type and whether the balance of the fund is above or below historic gift value. For funds with balances above historic gift value the spending policy for grants is 4.5% or 5.0% of the fund balance averaged over 12 trailing quarters. In 2009, SVCF adopted a sliding scale spending policy to address underwater funds, defined as those funds with balances below historic gift value. The table below illustrates the reduction in spending policy for grants from funds with balances that are under historic gift value at December 31, 2017 and 2016:

**Spending Policy for Underwater Funds**

Amount Underwater	Reduction in Spending	Spending Rate for Funds with 2% Support Fee	Spending Rate for Funds with .5% Support Fee
Less than 8%	None	4.50%	5.00%
Over 8% less than 16%	1/3	3.00%	3.33%
Over 16% less than 30%	2/3	1.50%	1.67%
Over 30%	Full	0.00%	0.00%

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

**Concentrations of risk** – SVCF and its supporting organizations and affiliates recognize there are additional inherent risks associated with nonpublicly traded securities. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations and regular communication with investment managers.

To address market and credit risks of investments, SVCF and its supporting organizations and affiliates maintain formal investment policies that set out performance criteria, provide investment guidelines and require regular review of investment performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds using various investment strategies. An investment consultant is also utilized. SVCF and its supporting organizations and affiliates have custody agreements with selected banks, which process transactions at the direction of authorized staff and investment managers.

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, SVCF and its supporting organizations and affiliates 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.

Other concentrations:

*Major contributions* – For the year ended December 31, 2017, SVCF received 69% of its contributions from 11 donors. For the year ended December 31, 2016, SVCF received 72% of its contributions from 11 donors.

## Silicon Valley Community Foundation

### Notes to Consolidated Financial Statements

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*Supporting organization assets* – 4% and 6.3% of SVCF and its supporting organizations and affiliates total assets at December 31, 2017 and 2016, respectively, were in one supporting organization.

*Concentrated investments* – 7% and 17% of SVCF and its supporting organizations' total investments were in one company's publicly traded common stock at December 31, 2017 and 2016, respectively.

*Concentrated investments* - 33% of SVCF and its supporting organizations' total investments were in one class of real assets at December 31, 2017.

**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 or expense.

**Split-interest gifts** – SVCF has an irrevocable remainder beneficiary interest in charitable remainder trusts and charitable gift annuities whose maturities are based on the life expectancies of the income beneficiaries or a specified term of years.

Trusts and annuities in which SVCF is both trustee and remainder beneficiary are recorded at the fair value of the assets in the trusts. The corresponding liability for certain future amounts due to beneficiaries is recorded at the fair value of the annuity payments. The present value discount rates used for all trusts and annuities were 2.64% and 2.26% at December 31, 2017 and 2016, respectively.

Trusts for which SVCF 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 and annuities were 2.64% and 2.26% at December 31, 2017 and 2016, respectively.

**Property and equipment** – Acquisitions and donations of property and equipment with a fair value in excess of \$10,000 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** – SVCF accepts funds from unrelated nonprofit organizations who desire to have SVCF provide efficient investment management, programmatic expertise and technical assistance. A liability is recorded at the estimated fair value of assets deposited with SVCF by nonprofit organizations. Assets are invested in investment pools offered by SVCF.

**Grant expense** – Grants are recognized when all significant conditions are met by grantees, 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 SVCF receives or is notified of the refund. Grants payable represent the present value of grants to be paid over a year and have been discounted at 2.11%.

For 2017, included in grants expense are grants in the amount of \$566,000,000 that were transferred to other donor advised fund providers. Included in contributions are gifts in the amount of \$255,000,000 that were transferred from other donor advised fund providers.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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**Revenue recognition** – Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. The discount on these amounts is computed using the rate applicable in the year the promises were received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contributions. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed 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.

**Allowance for doubtful accounts** – SVCF and its supporting organizations and affiliates provide for amounts that may be uncollectible on contributions, grants, notes, and other receivables. Management estimates the amount based on a variety of factors, which include, but are not necessarily limited to: prior collection history, the ability of the donor to pay, and historical trends. For the years ended December 31, 2017 and 2016, no allowance was deemed necessary.

**In-kind contributions** – Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which requires a specialized skill and for which SVCF and its supporting organizations and affiliates would have paid for if not contributed, are recorded at their estimated fair value at the date the contributed services are received. For the years ended December 31, 2017 and 2016, SVCF and its supporting organizations and affiliates recognized approximately \$7,772,000 and \$8,116,000, respectively, in contributed services. The expenses related to these contributions were allocated 74% to program and 26% to general and administrative for 2017 compared to 72% to program and 28% to general and administrative for 2016.

**Functional expense allocations** – Expenses which apply to more than one functional category have been allocated among program, general and administrative, and fundraising based on the time spent on these functions by specific employees as estimated by management. Indirect expenses such as facilities costs are allocated based on square footage used by functional departments. Other indirect expenses, such as information technology and 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.

**Use of estimates** – The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

**Income taxes** – SVCF and its supporting organizations and affiliates are tax-exempt organizations and are not subject to federal or state income taxes, except on unrelated business income, in accordance with Section 501(a) of the Internal Revenue Code. In addition, SVCF and its supporting organizations and affiliates qualified for the charitable contribution deduction under Section 170(b) (1) (A) of the Internal Revenue Code and have been classified as organizations that are not private foundations. Unrelated business income tax, if any, is immaterial and no tax provision has been made in the accompanying consolidated financial statements.

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

SVCF and its supporting organizations and affiliates do not have any material uncertain tax positions. SVCF and its supporting organizations and affiliates file informational tax returns in the U.S. federal, California, and other states jurisdictions.

**Reclassifications** – Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the 2016 consolidated financial statements.

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

SVCF and its supporting organizations and affiliates have evaluated subsequent events through June 14, 2018, which is the date the consolidated financial statements were available to be issued.

### NOTE 3 – FAIR VALUE MEASUREMENT

The following tables present the balance of assets and liabilities carried at fair value on the consolidated statements of financial position as of December 31, 2017 and 2016:

ASSETS	12/31/2017 (in thousands)				
	Total	Level 1	Level 2	Level 3	NAV
<b>Investments</b>					
<b>Cash Equivalents</b>					
Money Market Securities	\$ 1,561,242	\$ 1,561,242	\$ -	\$ -	\$ -
Bank CDs and Deposits	143,379	-	143,379	-	-
<b>Global Bonds</b>					
Govt/Corporate	1,581,348	171,357	1,383,854	-	26,137
Foreign Bonds	78,271	2,168	-	-	76,103
High Yield	31,394	130	-	-	31,264
<b>Global Equities</b>					
US Equity	2,871,895	2,720,592	12,506	-	138,797
International	616,545	154,619	6,336	-	455,590
Emerging Market	81,702	44,683	-	-	37,019
<b>Alternatives</b>					
Hedge Fund	916,244	-	-	-	916,244
Private Equity	903,982	-	-	127,518	776,464
Real Assets	4,533,123	-	4,461,504	30,244	41,375
Real Estate	96,777	-	-	18,671	78,106
Total investments	<u>\$ 13,415,902</u>	<u>\$ 4,654,791</u>	<u>\$ 6,007,579</u>	<u>\$ 176,433</u>	<u>\$ 2,577,099</u>
<b>Split interest agreements</b>					
Beneficial interests in charitable remainder trusts	<u>\$ 5,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,462</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
<b>Split interest agreements</b>					
Liabilities to beneficiaries from split interest agreements	<u>\$ 35,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,237</u>	<u>\$ -</u>

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

<b>ASSETS</b>	12/31/2016 (in thousands)				
	Total	Level 1	Level 2	Level 3	NAV
<b>Investments</b>					
<b>Cash Equivalents</b>					
Money Market Securities	\$ 1,668,563	\$ 1,668,563	\$ -	\$ -	\$ -
Bank CDs and Deposits	134,626	-	134,626	-	-
<b>Global Bonds</b>					
Govt/Corporate	1,284,885	371,651	908,801	-	4,433
Foreign Bonds	73,259	1,440	-	-	71,819
High Yield	34,202	341	-	-	33,861
<b>Global Equities</b>					
US Equity	2,749,303	2,673,674	11,039	-	64,590
International	438,886	117,464	789	-	320,633
Emerging Market	39,681	13,520	-	-	26,161
<b>Alternatives</b>					
Hedge Fund	862,712	-	-	-	862,712
Private Equity	562,745	-	-	78,333	484,412
Real Assets	76,888	114	-	24,189	52,585
Real Estate	243,144	-	-	144,856	98,288
 Total investments	<u>\$ 8,168,894</u>	<u>\$ 4,846,767</u>	<u>\$ 1,055,255</u>	<u>\$ 247,378</u>	<u>2,019,494</u>
<b>Split interest agreements</b>					
Beneficial interests in charitable remainder trusts	<u>\$ 2,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,902</u>	<u>\$ -</u>
 <b>LIABILITIES</b>					
<b>Split interest agreements</b>					
Liabilities to beneficiaries from split interest agreements	<u>\$ 33,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,251</u>	<u>\$ -</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, supporting organization and charitable trust. The asset allocation of any individual donor fund is dependent on the donor's choice of approved investment pools. Advised funds of one million or more are eligible to be invested separately from the pools, subject to review and approval by SVCF.

Alternative investments include redeemable interests in hedge funds and commingled pools; and nonredeemable interests in real estate, real assets, and private equity funds. Alternative investments may be structured as limited partnerships, limited liability companies, commingled trusts, and offshore investment funds. This class of assets also includes direct investment in private companies, real estate, real assets, digital assets and commodities.

Derivatives are used by one supporting organization as hedging instruments to protect against loss and to achieve desired market exposure. These include futures contracts, swaps, and exchange-listed and over-the-counter put and call options on securities or on financial indices. The fair value of derivatives held at December 31, 2017 and 2016, was \$6,013,556 and \$2,498,470, respectively. The change in net assets, as reported in the consolidated statements of activities, representing the amount of unrealized gains (losses) on derivative investments held at December 31, 2017 and 2016, was \$3,518,409 and \$3,593,511, respectively.

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

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**Valuation process** – Finance and investment staff determine fair value measurement policies and procedures for assets and liabilities under the supervision of the Chief Operating Officer and Chief Financial Officer. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income, and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third-party information. In determining the reasonableness of the methodology, SVCF evaluates a variety of factors including a review of existing agreements, economic conditions, industry and market developments. Certain unobservable inputs are assessed through review of contract terms while others are substantiated utilizing available market data including but not limited to market comparables, qualified opinions, and discount rates and mortality tables for split interest agreements.

The following table presents investment returns for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 101,984,764	\$ 70,284,054
Realized and unrealized gains, net	5,637,533,477	409,273,981
Direct investment related expenses	<u>(32,130,125)</u>	<u>(23,007,336)</u>
	<u>\$ 5,707,388,116</u>	<u>\$ 456,550,699</u>

### **Level 1, 2, and 3 valuation techniques and inputs:**

Level 1 investments include marketable securities, exchange traded funds, and cash equivalents that are carried at fair value based on observable quoted market prices in active markets; and mutual funds that are valued based on the net asset value per share computed by the fund manager and validated by a sufficient level of observable activity (i.e., purchases and sales).

Level 2 investments include certificates of deposit issued by financial institutions that are valued using maturity and interest rate as observable inputs; domestic and foreign bonds other than U.S. Treasury securities that are valued using matrix pricing or market corroborated pricing and inputs such as yield curves and indices; derivatives (i.e., swaps and over the counter put and call options) that are valued with pricing models and inputs that utilize contractual terms including period to maturity, and readily observable parameters including interest rates, volatility, correlation levels and credit quality of the counterparty; and digital assets that are valued using pricing obtained from online exchanges that comply with federal and state licensing requirements and publish all transaction price and volume publicly.

Level 3 investments include direct investments in real estate and private companies, and beneficial interests in nontrusteed charitable remainder trusts. Valuation techniques and inputs for each are described below.

*Private equity* – Closely-held private or restricted stock is reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. Valuation inputs may include, but are not limited to, initial investment amount (cost), observed transaction price used in subsequent valuations, liquidation value, qualified opinion or appraisal, company financial statements, press releases and company commentary, and the SVCF's own assessment of value and applicable discounts.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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*Real assets* – Direct investments in digital assets and physical assets such as land, precious metals, commodities and timber are reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. Valuation inputs for Level 3 assets may include, but are not limited to, the initial investment amount (cost), company financial statements, and independent appraisal. Fair value is determined using a variety of valuation techniques utilizing appraisals and/or company financial statements.

*Real estate* – Direct investment in real estate and interests in real estate partnerships (other than real estate funds) are reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies consistent with the market, income and cost approaches. Valuation inputs may include, but are not limited to, the initial investment amount (cost), partnership financial statements, market comparables, qualified appraisal, discounted cash flow, and SVCF's own assessment of value and applicable discounts. Independent appraisals of significant real estate held for investment are conducted periodically, depending on the nature of the investment.

*Beneficial interests* – SVCF uses a discounted cash flow methodology to determine fair value of the beneficial interests in nontrusteed charitable remainder trusts and to determine the liability associated with split interest agreements. Inputs used for valuation of remainder interests in nontrusteed charitable trusts include financial statements provided by the trustee, the life expectancy of the income beneficiaries, and an applicable discount rate determined by SVCF. The fair value of beneficial interests is reviewed and updated annually by adjusting the current life expectancies of the income beneficiaries, applicable discount rate and market value of each trust. A decrease in the discount rate and a longer life expectancy will decrease the fair value of the trust receivable and liability.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

### Level 3 roll-forward tables:

*Investments* – The following tables present the roll-forward of Level 3 investments carried at fair value (including the change in fair value) on the consolidated statements of financial position for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>Private Equity</u>	<u>Real Assets</u>	<u>Real Estate</u>
<b>Balance, January 1</b>	\$ 247,378,375	\$ 78,333,130	\$ 24,188,933	\$ 144,856,312
Transfers	(9,037,733)	(9,672,412)	634,679	-
Purchases	125,350,778	121,694,584	3,365,536	290,658
Sales	(226,114,877)	(74,438,031)	819,052	(152,495,898)
Investment income	54,749	54,749	-	-
Investment fees	(388,777)	(30,479)	(357,535)	(763)
Realized gains (losses)	20,893,282	616,621	-	20,276,661
Unrealized gains (losses)	18,297,049	10,959,890	1,593,438	5,743,721
<b>Balance, December 31</b>	<u>\$ 176,432,846</u>	<u>\$ 127,518,052</u>	<u>\$ 30,244,103</u>	<u>\$ 18,670,691</u>
	<u>2016</u>	<u>Private Equity</u>	<u>Real Assets</u>	<u>Real Estate</u>
<b>Balance, January 1</b>	\$ 121,633,444	\$ 61,357,315	\$ 24,772,153	\$ 35,503,976
Transfers	-	-	-	-
Purchases	146,481,854	30,403,752	6,338,102	109,740,000
Sales	(22,313,599)	(13,840,425)	(7,098,386)	(1,374,788)
Investment income	-	-	-	-
Investment fees	(475,186)	-	(475,186)	-
Realized gains (losses)	752,553	323,554	16,856	412,143
Unrealized gains (losses)	1,299,309	88,934	635,394	574,981
<b>Balance, December 31</b>	<u>\$ 247,378,375</u>	<u>\$ 78,333,130</u>	<u>\$ 24,188,933</u>	<u>\$ 144,856,312</u>

SVCF and its supporting organizations and affiliates policy is to recognize transfers in and transfers out of fair value hierarchy classifications at the beginning of the period in which the event or change in circumstances occurred. The change in net assets, as reported in the consolidated statements of activities, attributable to unrealized gains (losses) on Level 3 investments held at December 31, 2017 and 2016, was \$18,297,049 and \$1,299,309, respectively.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

*Split interest agreements* – The following tables present a roll-forward for the fair value of beneficial interests in split interest agreements (including the change in fair value) for nontrusteed charitable remainder trusts and life estates; and the fair value of liabilities to income beneficiaries of split interest agreements (including the change in fair value) for split interest agreements trustee by SVCF (i.e., charitable remainder and annuity trusts, gift annuities, and pooled income fund), as shown on the consolidated statements of financial position for the years ended December 31, 2017 and 2016.

### Beneficial interests in charitable remainder trusts

<b>Balance</b> , January 1, 2016	\$ 2,852,542
Unrealized gains	49,840
	2,902,382
<b>Balance</b> , December 31, 2016	2,902,382
Unrealized gains	2,559,245
	5,461,627
<b>Balance</b> , December 31, 2017	\$ 5,461,627

### Liabilities to beneficiaries from split interest agreements

<b>Balance</b> , January 1, 2016	\$ 33,412,069
New trusts during 2016	623,320
Change in value due to change in actuarial life expectancy	(263,955)
Change in value in estimated fair value of underlying trust assets	(520,401)
	33,251,033
<b>Balance</b> , December 31, 2016	33,251,033
New additions during 2017	538,842
Trust maturities during 2017	(105,968)
Change in value due to change in actuarial life expectancy	(2,864,915)
Change in value in estimated fair value of underlying trust assets	4,418,052
	4,418,052
<b>Balance</b> , December 31, 2017	\$ 35,237,044

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

### Investments valued at net asset value (“NAV”) per share or its equivalent:

The following table presents the unfunded commitments, redemption frequency, and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent:

#### Note 3 - Investments, Redemption Characteristics

##### Investments in entities that calculate net asset value per share or its equivalent

Investments	Note	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Global bond funds	a	\$ 133,504,259	\$ -	Monthly	5 - 45 Days
Global equity funds	b	631,405,570	-	Monthly - annually	5 - 60 Days
Hedge funds	c	916,244,053	785,597	Monthly - illiquid	5 - 360 Days
Private equity funds	d	776,464,139	283,442,920	Semi-annually - illiquid	45 - 90 Days
Real assets funds	e	41,374,854	8,051,552	Illiquid	-
Real estate funds	f	<u>78,106,361</u>	<u>40,926,492</u>	Annually - illiquid	30 days
Total		<u>\$ 2,577,099,236</u>	<u>\$ 333,206,561</u>		

(a) Global bond funds are actively managed funds that invest in government, corporate, or sovereign bonds. Investments are held within a commingled trust or limited partnership structure. All of the assets in this class may be redeemed on a monthly basis without restrictions.

(b) Global equity funds are actively managed funds that invest in stocks and other securities issued by companies in domestic and foreign markets. Investments are held within a commingled trust or limited partnership structure. The portions that may be redeemed on a monthly, quarterly, semi-annual or annual basis are 53%, 22%, 1%, and 24% respectively. Of the total, 8% is subject to a fund level redemption gate of 10% per quarter.

(c) Hedge funds are actively managed funds and fund-of-funds employing a variety of strategies, including but not limited to multi-strategy, absolute return, long/short, arbitrage, event-driven, distressed debt and credit. Hedge funds have the ability to invest long and short, shift from a net long position to a net short position, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic and foreign markets. Approximately 6% of the value of this class cannot be redeemed due to an outstanding lockup of 90 days or more beyond December 31, 2017. An additional 74% of the value of this class has redemption restrictions limiting redemption amounts per period to a fund level or investor level gate per period. The remaining 20% has no restrictions on redemptions beyond redemption frequency and notification period.

(d) Private equity funds are actively managed funds and fund-of-funds that invest in private and public companies through a variety of strategies including but not limited to early and late stage venture capital, leveraged buy-outs, distressed assets, special situations and credit strategies. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 10 years or more.

(e) Real assets funds are actively managed funds that invest primarily in private companies involved in mining, energy and infrastructure, timber, agribusiness, natural resources and other hard assets. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 5 to 10 years.

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

(f) Real estate funds are actively managed funds that invest in commercial properties in the U.S. and abroad including but not limited to residential, multi-family, office, retail, hotel, industrial and other specialties. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 10 years or more.

While SVCF and its supporting organizations and affiliates believe their 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 consolidated financial statements.

The table below presents information about significant unobservable inputs related to the categories of Level 3 financial assets and liabilities at December 31, 2017:

	<u>Fair Value at December 31, 2017</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range</u>
Private equity direct investments	\$ 127,518,054	Market, cost, or income	409A valuation Company financials	na*
Real property and real estate limited partnership interests	\$ 18,670,691	Market comparables	Listing prices, General partner estimates	na*
Real Assets	\$ 30,244,103	Market, cost, or income	409A valuation Company financials	na*
Beneficial interests in charitable remainder trusts	\$ -	Discounted cash flow	Discount rate Life expectancies	2.26%, 2 to 65 years
Liabilities to beneficiaries from split interest agreements	\$ 35,237,044	Discounted cash flow	Discount rate Life expectancies	2.26%, 2 to 65 years

\* Not included due to the wide range of possible values given the diverse nature of the underlying investments.

#### NOTE 4 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects SVCF's financial assets as of December 31, 2017, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2017 (in thousands):

Financial assets		
Cash and cash equivalents	\$	83,730
Contributions and grants receivable		19,817
Notes and other receivables, net		22,688
Investments		13,415,902
Beneficial interest in charitable remainder trusts		5,462
		<u>13,547,599</u>
Financial assets, at December 31, 2017		<u>13,547,599</u>
Less those unavailable for general expenditure within one year, due to:		
Contributions and grants receivable collectible beyond one year		(1,036)
Notes and other receivables, net collectible beyond one year		(21,130)
Investments not convertible to cash within next 12 months		(6,184,435)
Investments and other financial assets held for others		(122,407)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year		(139,536)
Investments in board designated endowments		(126,010)
Beneficial interest in charitable remainder trusts		(53,542)
		<u>6,899,503</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>6,899,503</u>

SVCF has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of January 28, 2015, SVCF has a revolving bank line of credit in the amount of \$4,000,000 secured by assets including inventory, accounts receivable and equipment. The interest rate on the line is the greater of the bank's prime rate plus .750% or the floor rate of 4.00%. No funds were borrowed under this agreement during the fiscal year ended December 31, 2017.

### NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2017, are expected to be collected as follows:

	<u>Less than one year</u>	<u>Greater than one year</u>	<u>Total</u>
Contributions receivable	\$ 15,794,141	\$ 969,568	\$ 16,763,709
Grants receivable	2,987,437	66,000	3,053,437
	<u>\$ 18,781,578</u>	<u>\$ 1,035,568</u>	<u>\$ 19,817,146</u>

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

Contributions and grants receivable as of December 31, 2016, are expected to be collected as follows:

	<u>Less than one year</u>	<u>Greater than one year</u>	<u>Total</u>
Contributions receivable	\$ 1,120,649	\$ -	\$ 1,120,649
Grants receivable	3,002,337	202,000	3,204,337
Total	<u>\$ 4,122,986</u>	<u>\$ 202,000</u>	<u>\$ 4,324,986</u>

### NOTE 6 – NOTES AND OTHER RECEIVABLES

Notes receivable and other receivables as of December 31, 2017, consisted of the following:

	<u>Less than one year</u>	<u>Greater than one year</u>	<u>Total</u>
Program related loans	\$ -	\$ 20,598,428	\$ 20,598,428
Other receivables	1,558,243	531,273	2,089,516
Total	<u>\$ 1,558,243</u>	<u>\$ 21,129,701</u>	<u>\$ 22,687,944</u>

Notes receivable and other receivables as of December 31, 2016, consisted of the following:

	<u>Less than one year</u>	<u>Greater than one year</u>	<u>Total</u>
Program related loans	\$ -	\$ 1,141,875	\$ 1,141,875
Other receivables	1,127,822	564,454	1,692,276
Total	<u>\$ 1,127,822</u>	<u>\$ 1,706,329</u>	<u>\$ 2,834,151</u>

Program related loans are stated at the amount of unpaid principal.

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

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### NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Leasehold interest in building	\$ 27,614,316	\$ 27,614,316
Leasehold improvements	19,346,040	19,231,235
Construction in progress	719,024	115,108
Office equipment and other	3,046,493	2,961,165
Computer equipment	<u>4,833,291</u>	<u>4,617,285</u>
Total	55,559,164	54,539,109
Less: accumulated depreciation and amortization	<u>(19,873,479)</u>	<u>(18,034,039)</u>
Property and equipment, net	<u>\$ 35,685,685</u>	<u>\$ 36,505,070</u>

### NOTE 8 – GRANTS PAYABLE, NET

Grants payable are expected to be disbursed as follows:

#### Years Ending December 31,

2018	\$ 236,458,726
2019	135,673,558
2020	90,881,633
2021	70,800,699
2022	62,630,793
Thereafter	<u>186,884,399</u>
Total	783,329,808
Present value discount	<u>(48,645,320)</u>
Grants payable, net	<u>\$ 734,684,488</u>

## Silicon Valley Community Foundation Notes to Consolidated Financial Statements

### NOTE 9 – ENDOWMENT DISCLOSURES

California enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) effective January 1, 2009. SVCF is required to provide information about net assets which are defined as endowment. Classifications include endowment which is restricted in perpetuity by donors (with donor restricted net assets) and endowment which has been board designated. The changes in endowment net assets for the years ended December 31, 2017 and 2016 were as follows:

	<b>December 31, 2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowments			
Original Endowment Gift Amount	\$ -	\$ 95,571,719	\$ 95,571,719
Accumulated earnings	-	49,986,263	49,986,263
Board designated endowments	129,369,393	1,044,701	130,414,094
Total endowments as of December 31, 2017	<u>\$ 129,369,393</u>	<u>\$ 146,602,683</u>	<u>\$ 275,972,076</u>
	<b>December 31, 2016</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowments			
Original Endowment Gift Amount	\$ -	\$ 95,482,458	\$ 95,482,458
Accumulated earnings	-	46,557,304	46,557,304
Board designated endowments	73,980,620	2,044,701	76,025,321
Total endowments as of December 31, 2016	<u>\$ 73,980,620</u>	<u>\$ 144,084,463</u>	<u>\$ 218,065,083</u>

### NOTE 10 – RELATED PARTY TRANSACTIONS

SVCF had the following related party transactions:

Board members may hold interests or may be employed by corporations or partnerships whose shares or interests are held as investments by SVCF and its supporting organizations and affiliates. A conflict of interest policy has been established, which covers investments and vendor relationships with Board members, volunteers, and staff.

SVCF’s volunteer members of the Board are active in oversight of fundraising events, activities, and in making private contributions. Contributions received from the Board or from companies with which the Board is affiliated were approximately \$380,000 and \$1,748,000 for the years ended December 31, 2017 and 2016, respectively.

SVCF’s supporting organizations utilize the services of an investment manager whose founder is also the founder of a supporting organization. In-kind investment management service fees of approximately \$2,174,000 and \$2,094,000 were donated by the investment manager during the years ended December 31, 2017 and 2016, respectively.

# Silicon Valley Community Foundation

## Notes to Consolidated Financial Statements

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### NOTE 11 – RETIREMENT PLANS

SVCF 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. SVCF 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, 2017 and 2016 were \$621,000 and \$618,000, respectively.

SVCF also provides a defined contribution plan under Section 457(b) of the Internal Revenue Code for 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. Employer contributions are at the discretion of the SVCF. Contributions by SVCF for the years ended December 31, 2017 and 2016 were \$37,000 and \$0, respectively.

In 2016, SVCF initiated a deferred compensation plan under Section 457(f) of the Internal Revenue Code for senior executives. The funding of the plan for the year ended December 31, 2017 and 2016, was \$200,000 and \$225,000, respectively.

### NOTE 12 – COMMITMENTS AND CONTINGENCIES

The main office facility in Mountain View is retained under an operating lease with a term of 10 years, expiring in August 2023. SVCF also maintains conference and office space in San Mateo with a lease that has a term of 10 years, expiring in December 2019. In addition, SVCF has a satellite office in San Francisco which is currently being rented month to month and an office in San Jose with a lease expiring July 2018. Following is a schedule of future minimum rental payments under its noncancelable operating leases.

#### Years Ending December 31,

2018	\$	2,930,884
2019		2,995,736
2020		2,645,148
2021		2,689,098
2022		2,752,402
Thereafter		<u>1,745,438</u>
	\$	<u>15,758,706</u>

Rental expense consisted of approximately \$2,343,000 and \$2,243,000 for the years ended December 31, 2017 and 2016, respectively, for the main office facility. Rental expense for the San Mateo office and conference center was approximately \$380,000 and \$370,000 for the years ended December 31, 2017 and 2016, respectively. Lease expense for the San Jose and San Francisco satellite offices for the years ended December 31, 2017 and 2016, was \$26,000 and \$23,000, respectively.

## **Silicon Valley Community Foundation Notes to Consolidated Financial Statements**

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In the ordinary course of conducting its business, SVCF and its supporting organizations and affiliates may be subjected from time to time to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on SVCF and its supporting organizations' and affiliates' consolidated financial position or results of future operations.

