



*Report of Independent Auditors and
Consolidated Financial Statements with
Uniform Guidance Audit Reports and Supplementary Information*

Silicon Valley Community Foundation

*December 31, 2018 (with comparative totals
for the year ended December 31, 2017)*



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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, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures 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 the 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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 affiliated and supporting organizations as of December 31, 2018, 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.

Restatement of Previously Issued Financial Statements

As discussed in Note 2 to the consolidated financial statements, Silicon Valley Community Foundation has restated its 2017 consolidated financial statements in connection with a change in accounting for digital assets. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited Silicon Valley Community Foundation and its affiliated and supporting organizations' 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of Silicon Valley Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Silicon Valley Community Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Silicon Valley Community Foundation's internal control over financial reporting and compliance.



San Francisco, California
June 14, 2019

Consolidated Financial Statements

Silicon Valley Community Foundation
Consolidated Statements of Financial Position
December 31, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u> <u>(As Restated)</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 166,792	\$ 83,730
Investments	8,591,964	8,954,398
Contributions and grants receivable	11,332	19,817
Notes and other receivables	12,193	22,688
Beneficial interest in charitable remainder trusts	4,904	5,462
Property and equipment, net	34,710	35,686
Intangible assets	63,524	33,009
Other assets	775	824
	<u>775</u>	<u>824</u>
Total assets	<u>\$ 8,886,194</u>	<u>\$ 9,155,614</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable, net	\$ 616,885	\$ 734,684
Accounts payable and accrued liabilities	6,542	6,002
Liabilities to beneficiaries from split interest agreements	18,740	35,237
Deposits held for others	118,390	122,407
	<u>118,390</u>	<u>122,407</u>
Total liabilities	<u>760,557</u>	<u>898,330</u>
NET ASSETS		
Without donor restrictions		
Undesignated	7,862,144	7,951,070
Designated by the Board for endowment	70,611	130,414
	<u>70,611</u>	<u>130,414</u>
	<u>7,932,755</u>	<u>8,081,484</u>
With donor restrictions		
Charitable remainder trusts and irrevocable plan gifts	14,891	18,305
Special projects	22,810	11,937
Endowment	155,181	145,558
	<u>155,181</u>	<u>145,558</u>
	<u>192,882</u>	<u>175,800</u>
Total net assets	<u>8,125,637</u>	<u>8,257,284</u>
Total liabilities and net assets	<u>\$ 8,886,194</u>	<u>\$ 9,155,614</u>

Silicon Valley Community Foundation
Consolidated Statements of Activities
Year Ended December 31, 2018

(with comparative totals for the year ended December 31, 2017) (in thousands)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	(As Restated) Total
REVENUES AND SUPPORT				
Contributions	\$ 1,892,205	\$ 17,205	\$ 1,909,410	\$ 1,382,111
Investment income (loss), net	(77,911)	15,823	(62,088)	1,278,892
Change in value of split interest agreements	-	12,297	12,297	4,614
Other income	6,297	-	6,297	9,432
Net assets released from restriction pursuant to endowment spending-rate distribution formula	8,975	(8,975)	-	-
Net assets released from restrictions and reclassifications	19,268	(19,268)	-	-
TOTAL REVENUES AND SUPPORT	1,848,834	17,082	1,865,916	2,675,049
EXPENSES				
Grants awarded	1,935,311	-	1,935,311	1,807,990
Program	41,126	-	41,126	36,760
General and administrative	16,751	-	16,751	16,064
Fundraising and development	4,375	-	4,375	4,300
TOTAL EXPENSES	1,997,563	-	1,997,563	1,865,114
CHANGE IN NET ASSETS	(148,729)	17,082	(131,647)	809,935
NET ASSETS , beginning of year	8,081,484	175,800	8,257,284	7,447,349
NET ASSETS , end of year	\$ 7,932,755	\$ 192,882	\$ 8,125,637	\$ 8,257,284

Silicon Valley Community Foundation
Consolidated Statements of Functional Expenses
Years Ended December 31, 2018 and 2017
(in thousands)

	2018			Total
	Program Services	Management & General	Fundraising & Development	
Grants awarded	\$ 1,935,311	\$ -	\$ -	\$ 1,935,311
Personnel	11,276	7,837	3,297	22,410
Miscellaneous	11,959	2,125	9	14,093
Consultants/professional services	5,992	1,427	43	7,462
Occupancy	3,464	1,335	574	5,373
Special events	2,605	182	4	2,791
Program	2,330	3	3	2,336
Legal fees	17	1,860	7	1,884
Information technology	815	525	220	1,560
Other	2,272	320	157	2,749
Audit and accounting fees	32	558	10	600
Insurance	148	218	47	413
Advertising	199	194	4	397
Taxes	17	167	-	184
Total	\$ 1,976,437	\$ 16,751	\$ 4,375	\$ 1,997,563

	2017			Total
	Program Services	Management & General	Fundraising & Development	
Grants awarded	\$ 1,807,990	\$ -	\$ -	\$ 1,807,990
Personnel	9,603	7,080	3,334	20,017
Miscellaneous	5,668	1,989	-	7,657
Consultants/professional services	8,029	709	21	8,759
Occupancy	3,336	2,879	275	6,490
Special events	3,310	163	-	3,473
Program	3,082	-	-	3,082
Legal fees	240	277	222	739
Information technology	2,347	892	312	3,551
Other	685	237	96	1,018
Audit and accounting fees	58	542	13	613
Insurance	181	256	25	462
Advertising	205	197	2	404
Taxes	16	843	-	859
Total	\$ 1,844,750	\$ 16,064	\$ 4,300	\$ 1,865,114

Silicon Valley Community Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(in thousands)

	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (131,647)	\$ 809,935
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Loss on disposal of property and equipment	-	34
Depreciation and amortization	1,385	1,846
Noncash contributions	(182,666)	(89,470)
Contributions received for long-term purposes	(17,205)	(10,260)
Net realized and unrealized gain (loss) from changes in fair value of investments	156,483	(1,207,566)
Noncash grants made	54,937	-
Fair value of charitable remainder trusts and related accounts	(15,939)	(574)
Changes in assets and liabilities		
Contributions and grants receivable	8,485	(15,492)
Notes and other receivables, net	83	(19,981)
Intangible assets	16,388	(2,264)
Other assets	49	15
Grants payable	(117,799)	63,004
Accounts payable and accrued liabilities	540	2,682
	<u>(226,906)</u>	<u>(468,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,390,936	4,291,483
Purchases of investments	(3,104,159)	(3,810,696)
Payments received on notes receivable	10,412	127
Purchases of fixed assets	(409)	(1,061)
Deposits held for others	(4,017)	13,308
	<u>292,763</u>	<u>493,161</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for long-term purposes	17,205	10,260
	<u>17,205</u>	<u>10,260</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	83,062	35,330
CASH AND CASH EQUIVALENTS, beginning of year	<u>83,730</u>	<u>48,400</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 166,792</u>	<u>\$ 83,730</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ACTIVITY		
Noncash contributions	\$ (182,666)	\$ (89,470)
Noncash grants made	\$ 54,937	\$ -
Intangible assets transferred in fulfillment of capital calls	\$ 9,762	\$ -

See accompanying notes.

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF THE FOUNDATION

Silicon Valley Community Foundation (“SVCF”) is a publicly supported, nonprofit public benefit corporation that received its IRS exemption in November 2006 and officially launched in January 2007. SVCF brings together nonprofits, government, and companies to shape critical public policy issues, advances local solutions, and directs resources strategically to address our valley’s most challenging issues. SVCF also partners with families, individuals, and corporations so that they achieve a positive impact through their philanthropy.

Mission:

SVCF is community catalyst for positive change, harnessing Silicon Valley’s ingenuity, innovation, and creativity to address complex, local challenges. We connect Silicon Valley philanthropists with nonprofit organizations to build strong and vital communities where people can live with dignity.

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 \$1,172,000,000 and \$1,200,000,000 to charitable organizations during the years ended December 31, 2018 and 2017, 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 \$58,000,000 and \$62,000,000 during the years ended December 31, 2018 and 2017, respectively.

Community endowment, field of interest funds and strategic initiative 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).

Strategic initiative funds allow donors to directly support projects and expenses with a local community impact beyond grants to charitable organizations.

Together, these funds distributed approximately \$14,000,000 and \$12,700,000 to charities in the Bay Area counties during the years ended December 31, 2018 and 2017, 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, 2018 and 2017, SVCF awarded 569 and 343 scholarships totaling approximately \$2,650,000 and \$1,576,000, respectively.

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

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 2018 the following supporting organizations were effectively under SVCF’s control and were consolidated for financial statement purposes:

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

During 2018, one new supporting organization, Destination: Home SV, was established.

During 2018, two supporting organizations, Dropbox Charitable Foundation and Good Ventures, were closed.

Affiliates – In 2018, the following affiliates were effectively under SVCF’s control and were consolidated for financial statement purposes:

Resonance House, LLC	SVCF Inspire, LLC	3A-1 Squabble Lane, 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, 2018 and 2017, 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, 2017, 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.

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 determine 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 NAV per share or its equivalent.

Notes receivable – Notes receivable with maturity dates greater than one year are immaterial and are not discounted. Notes receivable are stated at cost less any principal payments made since the issuance date.

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, 2018 and 2017, no allowance was deemed necessary.

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 2.99% and 2.64% at December 31, 2018 and 2017, 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 2.99% and 2.64% at December 31, 2018 and 2017, 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.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

Digital assets – Digital assets consist primarily of cryptocurrency which are accounted for as indefinite-lived intangible assets. Digital assets were approximately \$63,500,000 and \$33,000,000 at December 31, 2018 and 2017, respectively, and are included in intangible assets on the consolidated statements of financial position.

Indefinite-lived intangible assets are recorded at cost or the estimated fair value at the date of gift, and are tested for impairment annually or when events or circumstances indicate that the carrying value more likely than not exceeds its fair value. SVCF estimates fair value of its cryptocurrency holdings for purposes of impairment testing taking quoted prices from multiple digital currency exchanges with active markets near the measurement date. Impairment in the carrying value of digital assets is recorded as an impairment loss in the accompanying consolidated statements of activities. There was no impairment loss recognized on digital assets for the years ended December 31, 2018 and 2017.

Gains and losses realized upon the sale of digital assets are also recorded in the accompanying consolidated statements of activities. Realized gains on the sale of digital assets were \$61,000,000 and \$7,300,000 during the years ended December 31, 2018 and 2017, respectively. The proceeds from the sale of digital assets, including realized gains, are used for grant making.

The majority of digital assets are in held in one cryptocurrency and are subject to sales restrictions related to timing and volume. SVCF plans to sell these assets consistent with the sales restrictions.

Digital assets roll-forward tables: The following tables present the roll-forward of digital assets carried at cost on the consolidated statements of financial position for the years ended December 31, 2018 and 2017. For comparative purposes, the roll-forward table includes the digital assets at fair value for the years ended December 31, 2018 and 2017:

	2018		
	Units	Cost	Estimated Fair Value
Balance, January 1	2,577,261,845	\$ 33,008,617	\$ 4,459,241,084
Gifts	178,218,052	51,496,122	51,496,122
Sales	(104,642,299)	(20,832,032)	(66,185,329)
Grants	(16,942,701)	(82,680)	(6,086,757)
Transfers for investment	(13,590,421)	(66,321)	(9,762,008)
Realized gains	-	-	61,052,061
Unrealized (losses)	-	-	(3,674,729,640)
Balance, December 31	2,620,304,476	\$ 63,523,706	\$ 815,025,533

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

	2017		
	Units	Cost	Estimated Fair Value
Balance, January 1	2,474,130,739	\$ 10,881,343	\$ 10,881,343
Gifts	115,001,129	24,391,520	24,391,520
Sales	(11,870,023)	(2,264,246)	(9,543,966)
Realized gains	-	-	7,279,720
Unrealized gains	-	-	4,426,232,467
Balance, December 31	<u>2,577,261,845</u>	<u>\$ 33,008,617</u>	<u>\$ 4,459,241,084</u>
	December 31, 2017	December 31, 2018	Change
Units	2,577,261,845	2,620,304,475	43,042,630
Cost	\$ 33,008,617	\$ 63,523,706	\$ 30,515,089
FMV	\$ 4,459,241,084	\$ 815,025,533	\$ (3,644,215,551)

SVCF has exchange rate risk on the amounts that are held, as well as the risks that regulatory or other developments may adversely affect the value of the digital assets. Various legislative and executive bodies in the United States may in the future adopt laws, regulations, or guidance, or take other actions, which may impact the permissibility of digital assets generally and the technology behind them or the means of transaction or in transferring them. If any regulatory authority asserts that SVCF require a license or other regulatory approval to conduct business involving digital assets, it could have an adverse effect on SVCF's consolidated financial position.

Change in accounting for digital assets – Prior to 2018, SVCF recognized digital assets as an investment held at fair value in its consolidated statements of financial position with the unrealized gains or losses recorded in the accompanying consolidated statements of activities. In 2018, SVCF changed its accounting policy such that digital assets are recognized as indefinite lived intangible assets that are recorded at cost or the estimated fair value at the date of gift, and are tested for impairment annually or when events or circumstances indicate that the carrying value more likely than not exceeds its fair value.

This change in accounting method was reported through retrospective restatement of the previously issued consolidated financial statements. The effect of the change in accounting method was approximately a \$4,400,000,000 adjustment to remove unrealized gains which resulted in a decrease in undesignated net assets of approximately \$4,400,000,000. The change in accounting principle had no effect on the opening net assets as of January 1, 2017.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

The effects of the change in accounting principle are presented in the following table:

	December 31, 2017 Previously Issued	December 31, 2017 As Restated	Adjustments
Investments	\$ 13,415,902,017	\$ 8,954,397,525	\$ (4,461,504,492)
Intangible assets	\$ -	\$ 33,008,617	\$ 33,008,617
Total assets	\$ 13,584,109,836	\$ 9,155,613,964	\$ (4,428,495,875)
Investment income	\$ 5,707,388,117	\$ 1,278,892,242	\$ (4,428,495,875)
Total revenues and support	\$ 7,103,543,836	\$ 2,675,047,961	\$ (4,428,495,875)
Net assets			
Without donor restrictions			
Undesignated	\$ 12,379,565,750	\$ 7,951,069,875	\$ (4,428,495,875)
Total net assets	\$ 12,685,778,947	\$ 8,257,283,072	\$ (4,428,495,875)

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.

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

Net Assets Without Donor Restrictions 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 net assets without donor restrictions for financial statement presentation.

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

The Board has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowment. The Board-designated endowment distributes an annual payout based on the Board approved spending policy which is used to provide much-needed funding for local programs and services. It allows SVCF to act strategically to improve the community by addressing the most urgent needs with one-time or multi-year grants.

Net Assets with Donor Restrictions 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 net assets with donor restrictions 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 net assets with donor restrictions. The accumulation of assets, above historic gift value, in donor-restricted endowment funds is classified as with donor restrictions 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 net assets with donor restrictions until the purpose restrictions are met. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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 restrictions. 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 net assets with donor restrictions until appropriated for expenditure by SVCF.

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, 2018, and December 31, 2017, SVCF had 30 and 9 endowment funds with deficiencies of this nature totaling \$2,033,745 and \$586,288, respectively. These deficiencies are reflected in net assets with donor restrictions.

	<u>2018</u>	<u>2017</u>
Fair Value of Underwater Endowments	\$ 23,876,810	\$ 10,912,612
Original Endowment Gift Amount	<u>25,910,555</u>	<u>11,498,900</u>
Deficiencies of Underwater Endowment Funds	<u>\$ (2,033,745)</u>	<u>\$ (586,288)</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.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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.

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, 2018 and 2017:

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 non-publicly traded securities. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations, and regular communication with investment managers.

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.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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, 2018, SVCF received 75% of its contributions from 10 donors. For the year ended December 31, 2017, SVCF received 69% of its contributions from 11 donors.

Supporting organization assets – 6% and 4% of SVCF and its supporting organizations' and affiliates' total assets at December 31, 2018 and 2017, respectively, were in one supporting organization.

Concentrated investments – 3% and 10% of SVCF and its supporting organizations' total investments were in one company's publicly traded common stock at December 31, 2018 and 2017, respectively.

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 3.07%.

Conditional grants as of December 31, 2018 and 2017, were \$105,382,000 and \$94,213,000, respectively.

For 2018 and 2017, included in grants expense are grants in the amount of \$609,000,000 and \$566,000,000 that were transferred to other donor-advised fund providers. Included in contributions are gifts in the amount of \$3,728,000 and \$255,000,000 that were transferred from other donor-advised fund providers.

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.

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, 2018 and 2017, SVCF and its supporting organizations and affiliates recognized approximately \$14,049,000 and \$7,772,000, respectively, in contributed services. The expenses related to these contributions were allocated 85% to program and 15% to general and administrative for 2018 compared to 74% to program and 26% to general and administrative for 2017.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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.

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 state jurisdictions.

Reclassifications – Certain reclassifications have been made to the 2017 consolidated financial statements to conform to the current year presentation. Other than those noted above, such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the 2017 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 were available to be issued.

SVCF and its supporting organizations and affiliates have evaluated subsequent events through June 14, 2019, which is the date the consolidated financial statements were available to be issued.

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

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, 2018 and 2017:

ASSETS	December 31, 2018 (in thousands)				
	Total	Level 1	Level 2	Level 3	NAV
Investments					
Cash Equivalents					
Money Market Securities	\$ 1,164,136	\$ 1,164,136	\$ -	\$ -	\$ -
Bank CDs and Deposits	346,728	-	346,728	-	-
Global Bonds					
Govt/Corporate	2,169,210	203,529	1,941,097	-	24,584
Foreign Bonds	75,282	1,705	2,711	-	70,866
High Yield	36,914	-	5,236	-	31,678
Global Equities					
US Equity	2,440,308	2,347,415	-	-	92,893
International	419,806	232,024	(2,940)	-	190,722
Emerging Market	78,350	43,929	-	-	34,421
Alternatives					
Hedge Funds	444,796	-	-	-	444,796
Private Equity	1,224,800	-	-	101,577	1,123,223
Real Assets	55,855	-	-	8,818	47,037
Real Estate	135,779	-	-	18,212	117,567
Total investments	<u>\$ 8,591,964</u>	<u>\$ 3,992,738</u>	<u>\$ 2,292,832</u>	<u>\$ 128,607</u>	<u>\$ 2,177,787</u>
Split interest agreements					
Beneficial interests in charitable remainder trusts	\$ 4,904	\$ -	\$ -	\$ 4,904	\$ -
LIABILITIES					
Split interest agreements					
Liabilities to beneficiaries from split interest agreements	\$ 18,740	\$ -	\$ -	\$ 18,740	\$ -
Deposits held for others	\$ 118,390	\$ -	\$ -	\$ -	\$ 118,390

ASSETS	December 31, 2017 (in thousands) (As restated)				
	Total	Level 1	Level 2	Level 3	NAV
Investments					
Cash Equivalents					
Money Market Securities	\$ 1,561,242	\$ 1,561,242	\$ -	\$ -	\$ -
Bank CDs and Deposits	143,379	-	143,379	-	-
Global Bonds					
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
Global Equities					
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
Alternatives					
Hedge Funds	916,244	-	-	-	916,244
Private Equity	903,982	-	-	127,518	776,464
Real Assets	71,619	-	-	30,244	41,375
Real Estate	96,777	-	-	18,671	78,106
Total investments	<u>\$ 8,954,398</u>	<u>\$ 4,654,791</u>	<u>\$ 1,546,075</u>	<u>\$ 176,433</u>	<u>\$ 2,577,099</u>
Split interest agreements					
Beneficial interests in charitable remainder trusts	\$ 5,462	\$ -	\$ -	\$ 5,462	\$ -
LIABILITIES					
Split interest agreements					
Liabilities to beneficiaries from split interest agreements	\$ 35,237	\$ -	\$ -	\$ 35,237	\$ -
Deposits held for others	\$ 122,407	\$ -	\$ -	\$ -	\$ 122,407

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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 \$1,000,000 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, 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, 2018 and 2017, was \$(5,750,478) and \$6,013,556, 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, 2018 and 2017, was \$(11,764,034) and \$3,518,409, respectively.

Valuation process – Finance and investment staff determine fair value measurement policies and procedures for assets and liabilities under the supervision of the Executive Vice President of Finance and Operations. 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, 2018 and 2017:

	2018	2017 (As Restated)
Investment income	\$ 134,796,026	\$ 101,984,764
Realized and unrealized (losses) gains, net	(156,483,127)	1,209,037,361
Direct investment related expenses	(40,400,899)	(32,130,125)
	\$ (62,088,000)	\$1,278,892,000

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).

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

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.

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.

Real assets – Direct investments in 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, 2018 and 2017:

	<u>2018</u>	<u>Private Equity</u>	<u>Real Assets</u>	<u>Real Estate</u>
Balance, January 1	\$ 176,432,848	\$ 127,518,054	\$ 30,244,103	\$ 18,670,691
Transfers	(8,535,130)	13,756,097	(22,291,227)	-
Purchases	65,259,730	63,485,959	1,078,771	695,000
Sales	(129,070,247)	(128,557,239)	(214,116)	(298,892)
Investment income	2,899	2,899	-	-
Investment fees	(426,695)	(426,695)	-	-
Realized (losses) gains	(1,977,297)	(1,985,532)	-	8,235
Unrealized gains (losses)	26,920,813	27,783,791	-	(862,978)
Balance, December 31	<u>\$ 128,606,921</u>	<u>\$ 101,577,334</u>	<u>\$ 8,817,531</u>	<u>\$ 18,212,056</u>
	<u>2017</u>	<u>Private Equity</u>	<u>Real Assets</u>	<u>Real Estate</u>
Balance, January 1	\$ 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	20,893,282	616,621	-	20,276,661
Unrealized gains	18,297,049	10,959,890	1,593,438	5,743,721
Balance, December 31	<u>\$ 176,432,846</u>	<u>\$ 127,518,052</u>	<u>\$ 30,244,103</u>	<u>\$ 18,670,691</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, 2018 and 2017, was \$26,920,813 and \$18,297,049, respectively.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

Investments valued at 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:

<u>Investments as of December 31, 2018</u>	<u>Note</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
Global bond funds	a	\$ 127,127,461	\$ -	Daily - Monthly	1-45 Days
Global equity funds	b	318,035,880	-	Monthly - Annually	6 - 60 Days
Hedge funds	c	444,795,792	1,774,633	Daily - Illiquid	5 - 360 Days
Private equity funds	d	1,123,222,559	472,250,638	Quarterly - Illiquid	45 - 90 Days
Real asset funds	e	47,037,302	11,056,307	Illiquid	-
Real estate funds	f	<u>117,566,881</u>	<u>59,562,885</u>	Illiquid	-
Total		<u>\$2,177,785,875</u>	<u>\$ 544,644,463</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 21%, 38%, 1%, and 39%, respectively. Of the total, 7% 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 1% of the value of this class cannot be redeemed due to an outstanding lockup of 90 days or more beyond December 31, 2018. An additional 55% 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 44% 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.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

(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.

(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, 2018:

	<u>Fair Value at December 31, 2018</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range</u>
Private equity direct investments	\$ 101,577,336	Market, cost, or income	409A valuation company financials	na*
Real property and real estate limited partnership interests	\$ 18,212,055	Market comparables	Listing prices, general partner estimates	na*
Real assets	\$ 8,817,531	Market, cost, or income	Company financials, comparable Sales	na*
Beneficial interests in charitable remainder trusts	\$ 4,903,713	Discounted cash flow	Discount rate life expectancies	2.99%, 2 to 65 years
Liabilities to beneficiaries from split interest agreements	\$ 18,740,000	Discounted cash flow	Discount rate life expectancies	2.99%, 2 to 65 years

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

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, 2018 and 2017.

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

Beneficial interests in charitable remainder trusts

Balance, January 1, 2017	\$ 2,902,382
Unrealized gains	<u>2,559,245</u>
Balance, December 31, 2017	5,461,627
CRT maturity	(302,432)
Unrealized (loss)	<u>(255,481)</u>
Balance, December 31, 2018	<u><u>\$ 4,903,714</u></u>

Liabilities to beneficiaries from split interest agreements

Balance, January 1, 2017	\$ 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	<u>4,418,052</u>
Balance, December 31, 2017	35,237,044
New additions during 2018	-
Trust maturities during 2018	(15,731,570)
Change in value due to change in actuarial life expectancy	1,313,811
Change in value in estimated fair value of underlying trust assets	<u>(2,079,042)</u>
Balance, December 31, 2018	<u><u>\$ 18,740,243</u></u>

NOTE 4 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects SVCF's financial assets as of December 31, 2018, 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, 2018 (in thousands):

Financial assets	
Cash and cash equivalents	\$ 166,792
Investments	8,591,964
Contributions and grants receivable	11,332
Notes and other receivables	12,193
Beneficial interest in charitable remainder trusts	<u>4,904</u>
Financial assets, at December 31, 2018	<u>8,787,185</u>

Less those unavailable for general expenditure within one year, due to:

Notes and other receivables, net collectible beyond one year	(10,718)
Investments not convertible to cash within next 12 months	(2,306,394)
Investments and other financial assets held for others	(118,390)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	(148,357)
Investments in Board-designated endowments	(65,871)
Beneficial interest in charitable remainder trusts	<u>(33,631)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,103,824</u>
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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 years ended December 31, 2018 and 2017.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2017, was approximately \$5,868,000.

NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2018, are expected to be collected as follows:

	Less than one year	Greater than one year	Total
Contributions receivable	\$ 4,277,711	\$ -	\$ 4,277,711
Grants receivable	<u>7,054,179</u>	<u>-</u>	<u>7,054,179</u>
Total	<u>\$ 11,331,890</u>	<u>\$ -</u>	<u>\$ 11,331,890</u>

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

Contributions and grants receivable as of December 31, 2017, are 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
Total	<u>\$ 18,781,578</u>	<u>\$ 1,035,568</u>	<u>\$ 19,817,146</u>

NOTE 6 – NOTES AND OTHER RECEIVABLES

Notes receivable and other receivables as of December 31, 2018, consisted of the following:

	<u>Less than one year</u>	<u>Greater than one year</u>	<u>Total</u>
Program related loans	\$ -	\$ 9,367,397	\$ 9,367,397
Other receivables	1,475,746	1,350,233	2,825,979
Total	<u>\$ 1,475,746</u>	<u>\$ 10,717,630</u>	<u>\$ 12,193,376</u>

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>

Program related loans are stated at the amount of unpaid principal and are unsecured with maturities from one to ten years.

Silicon Valley Community Foundation
Notes to Consolidated Financial Statements

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2018	2017
Building	\$ 27,614,316	\$ 27,614,316
Leasehold improvements	20,121,658	19,346,040
Construction in progress	8,756	719,024
Office equipment and other	3,196,638	3,046,493
Computer equipment	5,026,570	4,833,291
Total	55,967,938	55,559,164
Less: accumulated depreciation and amortization	(21,258,084)	(19,873,479)
Property and equipment, net	\$ 34,709,854	\$ 35,685,685

NOTE 8 – GRANTS PAYABLE, NET

Grants payable are expected to be disbursed as follows:

Years Ending December 31,

2019	\$ 209,265,347
2020	137,189,390
2021	89,545,659
2022	74,515,293
2023	61,006,592
Thereafter	126,007,807
Total	697,530,088
Present value discount	(80,644,600)
Grants payable, net	\$ 616,885,488

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

NOTE 9 – ENDOWMENT DISCLOSURES

California enacted 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 (net assets with donor restrictions) and endowment which has been Board designated. The changes in endowment net assets for the years ended December 31, 2018 and 2017, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2017	<u>\$ 73,980,621</u>	<u>\$ 144,084,463</u>	<u>\$ 218,065,084</u>
Investment return:			
Investment income	410,782	4,991,612	5,402,394
Net appreciation (realized and unrealized)	<u>9,701,643</u>	<u>8,416,845</u>	<u>\$ 18,118,488</u>
Total investment return	<u>10,112,425</u>	<u>13,408,457</u>	<u>23,520,882</u>
Contributions	56,535,006	139,631	56,674,637
Appropriation of endowment assets for expenditure	(21,537,214)	-	(21,537,214)
Other changes:			
Transfers to/(from) Board-designated endowment funds	(96,678)	(654,635)	(751,313)
Release	10,419,934	(10,419,934)	-
Other transfers	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>
Endowment net assets, December 31, 2017	<u>130,414,094</u>	<u>145,557,982</u>	<u>275,972,076</u>
Investment return:			
Investment income	244,744	5,258,697	5,503,441
Net appreciation (realized and unrealized)	<u>(2,382,725)</u>	<u>10,564,422</u>	<u>8,181,697</u>
Total investment return	<u>(2,137,981)</u>	<u>15,823,119</u>	<u>13,685,138</u>
Contributions	2,671,308	389,545	3,060,853
Appropriation of endowment assets for expenditure	(69,663,258)	-	(69,663,258)
Other changes:			
Transfers to/(from) Board-designated endowment funds	429,869	2,306,859	2,736,728
Release	8,896,540	(8,896,540)	-
Other transfers	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2018	<u>\$ 70,610,572</u>	<u>\$ 155,180,965</u>	<u>\$ 225,791,537</u>

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments			
Original endowment gift amount	\$ -	\$ 98,067,695	\$ 98,067,695
Accumulated earnings		57,113,269	57,113,269
Total donor-restricted endowments	-	155,180,965	155,180,965
Board-designated endowments	70,610,572	-	70,610,572
Total	\$ 70,610,572	\$ 155,180,965	\$ 225,791,537

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowments			
Original endowment gift amount	\$ -	\$ 95,571,719	\$ 95,571,719
Accumulated earnings		49,986,263	49,986,263
Total donor-restricted endowments	-	145,557,982	145,557,982
Board-designated endowments	130,414,095	-	130,414,095
Total	\$ 130,414,095	\$ 145,557,982	\$ 275,972,077

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 \$85,000 and \$380,000 for the years ended December 31, 2018 and 2017, 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 \$2,235,700 and \$2,174,000 were donated by the investment manager during the years ended December 31, 2018 and 2017, respectively.

Silicon Valley Community Foundation

Notes to Consolidated Financial Statements

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, 2018 and 2017, were \$607,000 and \$621,000, 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 SVCF. Contributions by SVCF for the years ended December 31, 2018 and 2017, were \$0 and \$37,000, 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, 2018 and 2017, was \$0 and \$200,000, 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 that expired in July 2018 and is now month to month. Following is a schedule of future minimum rental payments under its noncancelable operating leases.

Years Ending December 31,

2019	\$	3,000,905
2020		2,647,818
2021		2,691,323
2022		2,752,402
2023		1,745,438
		<u>12,837,886</u>
	\$	<u>12,837,886</u>

Rental expense, for the main office facility, was approximately \$2,661,000 and \$2,343,000 for the years ended December 31, 2018 and 2017, respectively. Rental expense for the San Mateo office and conference center was approximately \$415,000 and \$380,000 for the years ended December 31, 2018 and 2017, respectively. Lease expense for the San Jose, San Francisco, and New York satellite offices for the years ended December 31, 2018 and 2017, was \$59,000 and \$38,000, respectively.

Silicon Valley Community Foundation Notes to Consolidated Financial Statements

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.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Audit Committee
Silicon Valley Community Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Silicon Valley Community Foundation, which comprise the consolidated statement of financial position as of December 31, 2018, 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, and have issued our report thereon dated June 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Silicon Valley Community Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Silicon Valley Community Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Silicon Valley Community Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Silicon Valley Community Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
June 14, 2019

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance

The Audit Committee
Silicon Valley Community Foundation

Report on Compliance for the Major Federal Program

We have audited Silicon Valley Community Foundation's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Silicon Valley Community Foundation's major federal program for the year ended December 31, 2018. Silicon Valley Community Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Silicon Valley Community Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Silicon Valley Community Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Silicon Valley Community Foundation's compliance.

Opinion on the Major Federal Program

In our opinion, Silicon Valley Community Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Silicon Valley Community Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Silicon Valley Community Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Silicon Valley Community Foundation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Francisco, California
June 14, 2019

**Silicon Valley Community Foundation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to the consolidated financial statements noted?

Yes No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal program and type of auditor’s report issued on compliance for major federal program:

<i>CFDA Numbers</i>	<i>Name of Federal Program</i>	<i>Type of Auditor’s Report Issued</i>
94.019	Social Innovation Fund	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Supplementary Information

**Silicon Valley Community Foundation
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>"Passed through" to Subrecipients</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service				
Social Innovation Fund	14SIHCA001	94.019	\$ 1,099,633	\$ <u>1,388,157</u>
Total Corporation for National and Community Service				\$ <u>1,388,157</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ <u><u>1,388,157</u></u>

Silicon Valley Community Foundation
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Silicon Valley Community Foundation under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Silicon Valley Community Foundation, it is not intended to and does not present the consolidated financial position, consolidated activities, and changes in net assets or consolidated cash flows of Silicon Valley Community Foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Silicon Valley Community Foundation elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

