Sunlight Giving

Financial Statements

December 31, 2017

Frank, Rimerman + Co. LLP

Certified
Public
Accountants

Palo Alto
San Francisco
San Jose
St. Helena

Board of Directors
Sunlight Giving
Palo Alto, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Sunlight Giving, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change in unrestricted net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Sunlight Giving as of December 31, 2017, and the changes in its unrestricted net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Frank, Rimerman & Co. LLP

San Jose, California
August 1, 2018

Sunlight Giving
Statement of Financial Position
December 31, 2017

ASSETS	
Cash and Cash Equivalents	$ 8,734,008
Investment Income Receivable	1,678,342
Unsettled Trades Receivable	15,198
Investments	475,827,751
Property and Equipment, net	4,187
Total assets	$ 486,259,486
LIABILITIES AND UNRESTRICTED NET ASSETS	
Accrued Expenses	$ 378,857
Excise and Income Tax Liability, net	214,815
Grants Payable, net	15,804,726
Total liabilities	16,398,398
Unrestricted Net Assets	469,861,088
Total liabilities and unrestricted net assets	$ 486,259,486

Sunlight Giving
Statement of Activities and Change in Unrestricted Net Assets
Year Ended December 31, 2017

Revenue and Income	
Net realized and unrealized gain on investments	$ 31,224,154
Interest and dividends	11,477,148
Total revenue and income	42,701,302
Expenses	
Charitable grants	25,443,690
Professional fees	1,454,987
General and administrative	62,342
Investment related expenses	1,815,686
Excise and other taxes	416,901
Total expenses	29,193,606
Change in Unrestricted Net Assets	13,507,696
Unrestricted Net Assets, December 31, 2016	456,353,392
Unrestricted Net Assets, December 31, 2017	$ 469,861,088

Sunlight Giving
Statement of Cash Flows
Year Ended December 31, 2017

Cash Flows from Operating Activities	
Change in unrestricted net assets	$ 13,507,696
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:	
Net realized and unrealized gain on investments	(31,224,154)
Depreciation	1,196
Changes in operating assets and liabilities:	
Investment income receivable	(58,174)
Accrued expenses	(192,488)
Excise and income tax liability	(48,803)
Grants payable	1,779,040
Net cash used in operating activities	(16,235,687)
Cash Flows from Investing Activities	
Proceeds from sale of investments	270,767,348
Purchase of investments	(297,027,162)
Change in unsettled trade receivables	4,053,528
Net cash used in investing activities	(22,206,286)
Net decrease in cash and cash equivalents	(38,441,973)
Cash and Cash Equivalents, December 31, 2016	47,175,981
Cash and Cash Equivalents, December 31, 2017	$ 8,734,008

Supplemental Disclosure of Cash Flow Information	
Cash paid for excise taxes	$ 462,000

1. Organization

Sunlight Giving Foundation (the Foundation) is a non-profit private foundation that was founded in September 2014 by Tegan and Brian Acton (Founders). In 2016, the Foundation changed its name to Sunlight Giving. To sustain healthy families and strong communities, Sunlight Giving supports local and national organizations that provide basic services to low-income families with children up to 5 years of age in vulnerable communities throughout the United States. Revenue and income are derived principally from contributions from the Founders and investment income and gains. The Foundation does not have any employees, but hires outside professionals whenever services are needed.

2. Significant Accounting Policies

Basis of Presentation:

The Foundation prepares its financial statements on the accrual basis of accounting. The Foundation segregates its assets, liabilities and operations into three categories: unrestricted, temporarily restricted and permanently restricted. Unrestricted assets are those available for use in the general activities of the Foundation, without restrictions by donors. Temporarily restricted assets are those whose use is restricted by the donor, based on time or purpose. Permanently restricted assets are those assets restricted by the donor to a specific use in perpetuity. The Foundation's net assets are all unrestricted.

Contributions:

The Foundation recognizes contributions, including unconditional promises to give (pledges), as revenue in the period the pledge is made. The Foundation distinguishes among contributions received that increase unrestricted, temporarily restricted and permanently restricted net assets, with recognition being made of expiration of donor-imposed restrictions in the period in which the restrictions expire. The Foundation's revenue and income are all unrestricted.

In-kind contributions of marketable securities from the Founders are recorded at the daily average of their fair value on the date of receipt. The Foundation has assumed the original donor tax basis of the contributed investments. There were no in-kind contributions in 2017.

2. Significant Accounting Policies (continued)

Donated Services:

Donated services are recognized as contributions at their fair value if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by the Foundation if not donated. The Foundation has recorded no donated services to date.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue, income and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk:

Financial instruments that potentially subject the Foundation to concentration of credit risk consist primarily of cash and cash equivalents and investments. The Foundation maintains its cash and cash equivalents and marketable securities with one major U.S. financial institution, which are insured by the Federal Deposit Insurance Corporation up $250,000. The Foundation's investments and cash are managed by an independent financial advisor selected by the Foundation's Board of Directors.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash, money market funds and highly liquid investments with original maturities of three months or less.

Property and Equipment:

Property and equipment consists of furniture and is recorded at cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally five years.

2. Significant Accounting Policies (continued)

Investments and Investment Income:

Investments in marketable securities are presented at fair value based on prices quoted on established securities exchanges. Investment income represents interest and dividends earned and net investment gains. Realized gains and losses on investments are calculated as the difference between proceeds received and the original cost of the investment. Unrealized gains and losses represent the difference between the current fair value of the investments and their cost basis, if purchased during the year, or their fair value at the beginning of the year.

Excise and Income Taxes:

The Foundation has been determined to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code and has been classified as a private foundation within the meaning of Section 509(a) of the Code. The Foundation is exempt from California income taxes under Section 23701 of the California Revenue and Taxation Code.

The Foundation is subject to a federal excise tax on its net investment income at a rate of 2% under Section 4940(a) of the Code. The excise tax rate is reduced to 1% if the Foundation meets certain qualifying distribution requirements under Section 4940(e) of the Code. For 2017, the Foundation met the requirements for the reduced excise tax rate. In 2017, the Foundation recorded $424,000 of federal excise tax expense at a rate of 1% on the sale of donated marketable securities. Deferred federal excise taxes of $233,000 were accrued at December 31, 2017 to account for future taxes to be paid on unrealized investment gains.

Under Section 4942 of the Code, the Foundation is required to annually distribute 5% of the aggregate fair value of the Foundation's assets other than those used or held directly in carrying out the Foundation's exempt purpose. A tax of 30% is imposed if the Foundation does not make the required distributions over a two year period.

The Foundation applies the provisions set forth in Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 740, *Income Taxes,* to account for the uncertainty in income taxes. The Foundation has assessed all of its income tax positions taken where the statute of limitations remains open. The Foundation believes that its income tax filing positions will be sustained upon tax examinations; therefore, no liability for unrecognized income tax benefits has been recorded at December 31, 2017. The Foundation does not anticipate any significant increases or decreases to unrecognized income tax benefits during the next 12 months.

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Effective:

Presentation of Financial Statements:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard will impact the financial reporting for not-for-profit organizations by reducing the number of net asset classes from three to two ("with donor restrictions" and "without donor restrictions"); requiring expenses to be reported by function and nature; and providing disclosures on the entity's operating measures and liquidity. ASU 2016-14 is effective for the Foundation as of January 1, 2018 and requires a retrospective transition approach for its adoption. The Foundation is currently evaluating the impact of ASU 2016-14 on its financial statements and related disclosures.

Contributions Received and Made:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies the definition of an exchange transaction, and provides guidance for evaluating whether contributions are unconditional or conditional. ASU 2018-08 is effective for the Foundation as of January 1, 2019 for transactions in which the Foundation serves as the resource recipient. For transactions in which the Foundation serves as a resource provider, the effective date is January 1, 2020. ASU 2018-08 allows a retrospective or modified prospective transition approach for its adoption. The Foundation believes ASU 2018-08 will have a minimal impact on its financial statements and related disclosures.

3. Fair Value Measurements

The Foundation uses a three-level hierarchy, which prioritizes within the measurement of fair value, the use of market-based information over entity-specific information for fair value measurements. The three-level hierarchy is based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. Fair value focuses on an exit price and is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing an asset or liability is not necessarily an indication of the risk associated with carrying those assets or liabilities.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. All of the Foundation's investments are classified as Level I investments.

4. Investments

Fair value, cost and cumulative net unrealized appreciation of the Foundation's investments are as follows at December 31, 2017:

	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Equity securities	$ 218,004,124	$ 192,512,092	$ 25,492,032
Fixed income securities	257,823,627	260,176,579	(2,352,952)
Total	$ 475,827,751	$ 452,688,671	$ 23,139,080

5. Investment Income

Investment income comprises the following for the year ended December 31, 2017:

	Interest and Dividend Income	Net Realized and Unrealized Gains	Investment Related Expenses	Net Investment Income
Marketable securities	$ 11,477,148	$ 31,224,154	$ (1,815,686)	$ 40,885,616

6. Grants Payable

Grants payable over more than one year are discounted using a risk adjusted rate of 4.25%. Grants, net of discount, are payable as follows at December 31:

2018	$ 11,400,000
2019	4,585,000
	15,985,000
Less: discount	180,274
	$ 15,804,726

7. Subsequent Events

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Foundation and available for issuance, and no additional items requiring disclosure in the financial statements have been identified.