Sunlight Giving

Financial Statements

December 31, 2018

Frank, Rimerman + Co. LLP

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, 2018, and the related statements of activities and change in 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, 2018, and the changes in its 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 23, 2019

Sunlight Giving
Statement of Financial Position
December 31, 2018

ASSETS	
Cash and Cash Equivalents	$ 7,798,540
Investment Income Receivable	1,524,375
Prepaid Expenses	55,283
Investments	433,314,763
Property and Equipment, net	2,991
Total assets	$ 442,695,952
LIABILITIES AND NET ASSETS	
Grants Payable, net	$ 10,631,869
Accrued Expenses	351,647
Total liabilities	10,983,516
Commitment (Note 4)	
Net Assets Without Donor Restrictions	431,712,436
Total liabilities and net assets	$ 442,695,952

Sunlight Giving
Statement of Activities and Change in Net Assets
Year Ended December 31, 2018

Revenue and Investment Income (Loss)	
Net realized and unrealized loss on investments, net	$ (30,957,817)
Interest and dividends	13,265,979
Total revenue and net investment loss	(17,691,838)
Expenses	
Program services:	
Charitable grants	19,231,293
Management fees	1,006,105
Other business expenses	29,713
Total program services	20,267,111
Support services:	
Professional fees	280,438
Travel related expenses	18,164
Other administrative expenses	10,875
Excise and other taxes	(119,774)
Total support services	189,703
Total expenses	20,456,814
Change in Net Assets	(38,148,652)
Net Assets, December 31, 2017	469,861,088
Net Assets, December 31, 2018	$ 431,712,436

Sunlight Giving
Statement of Cash Flows
Year Ended December 31, 2018

Cash Flows from Operating Activities	
Change in net assets	$ (38,148,652)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized loss on investments	28,940,890
Depreciation	1,196
Changes in operating assets and liabilities:	
Investment income receivable	153,967
Prepaid expenses	(37,531)
Grants payable	(15,453,079)
Accrued expenses	10,252,980
Excise and income tax liability	(232,535)
Net cash used in operating activities	(14,522,764)
Cash Flows from Investing Activities	
Proceeds from sale of investments	201,580,838
Purchase of investments	(188,008,740)
Change in unsettled trade receivables	15,198
Net cash provided by investing activities	13,587,296
Net decrease in cash and cash equivalents	(935,468)
Cash and Cash Equivalents, December 31, 2017	8,734,008
Cash and Cash Equivalents, December 31, 2018	$ 7,798,540

Supplemental Disclosure of Cash Flow Information	
Cash paid for excise taxes	$ 150,010

See Notes to Financial Statements

1. Organization

Sunlight Giving (the Foundation) is a non-profit private foundation that was founded in September 2014 by Tegan and Brian Acton (Founders). Sunlight Giving seeks to build vibrant, diverse, and safe communities where all families have access to stable shelter, food security, quality health care, joy, and opportunity. The foundation is dedicated to supporting nonprofits that ensure young children and their families living in poverty in greater Silicon Valley have access to the resources they need to thrive. The foundation's geographic footprint includes the following counties: Alameda, Contra Costa, Merced, Monterey, San Benito, San Joaquin, San Mateo, Santa Clara, Santa Cruz, and Stanislaus. The foundation also makes select grants to state and national advocacy efforts on behalf of its program areas.

2. Significant Accounting Policies

Basis of Presentation:

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.* ASU 2016-14 was effective for the Foundation as of January 1, 2018, at which time the Foundation adopted the standard using a retrospective transition approach and has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Foundation's financial statements:

- Unrestricted net assets have been renamed net assets without donor restrictions.
- The Foundation's expenses are reported by function and nature in the statement of activities.
- The financial statements include new disclosures about liquidity and availability of resources (Note 3).
- Investment-related expenses are reported as part of investment income.

The Foundation prepares its financial statements in accordance with accounting standards for not-for-profit organizations. The standards require not-for-profit organizations to segregate their assets, liabilities and operations into two categories: with donor restrictions and without donor restrictions. Net assets without donor restrictions consist of net assets for which there are no donor-imposed restrictions. Net assets with donor restrictions consist of amounts that are restricted by the donor for specific purposes or for subsequent periods. All of the Foundation's net assets are without donor restrictions at December 31, 2018.

2. Significant Accounting Policies (continued)

Contributions:

The Foundation recognizes contributions, including unconditional promises to give (pledges), as revenue in the period the pledge is made. The Foundation distinguishes between contributions received that increase net assets with donor restrictions and net assets without donor restrictions, 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 without donor restrictions.

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 income tax basis of the contributed investments. There were no in-kind contributions in 2018.

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 through December 31, 2018.

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.

Functional Expenses:

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to the related program or service benefited. Additionally, the Foundation has reviewed fees for management of the Foundation and all overhead costs and determined that it is appropriate to allocate a portion of these costs to program services. A number of allocation methodologies are used, focusing on the location where the costs are incurred, along with the staffing levels and program service cost incurred prior to the allocations.

2. Significant Accounting Policies (continued)

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.

Investments and Investment Income:

Marketable investments are presented at fair value based on prices quoted on established securities exchanges. The Foundation's investment in a limited partnership is valued using Net Asset Value (NAV) per share as a practical expedient for measuring fair value. 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.

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 two 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.

Property and Equipment:

Property and equipment consists of furniture and is recorded at cost. Depreciation is computed using the straight-line method over an estimated useful life of five years.

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.

2. Significant Accounting Policies (continued)

Excise and Income Taxes: (continued)

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 2018, the Foundation met the requirements for the reduced excise tax rate. In 2018, the Foundation recorded $113,000 of federal excise tax expense at a rate of 1% on the sale of donated marketable securities. No deferred federal excise taxes were accrued at December 31, 2018.

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 Standards 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, 2018. The Foundation does not anticipate any significant increases or decreases to unrecognized income tax benefits during the next 12 months.

Recent Accounting Pronouncements Not Yet Effective:

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. Liquidity and Availability of Resources

The table below represents assets available for general expenditures within one year at December 31, 2018:

Cash and cash equivalents	$ 7,798,540
Investment income receivable	1,524,375
Investments	433,314,763
Total financial assets at year-end	442,637,678
Less: Financial assets not available within one year:	
Investment in limited partnership	2,744,584
	$ 439,893,094

As part of its liquidity management, the Foundation structures its financial assets to be available for regular rebalancing redemptions that align with the timing of grant disbursements.

At December 31, 2018, the Foundation has $439,893,095 in cash, marketable securities and other assets available to meet general expenditures within one year with the exception of 5% of net assets required to be distributed to charitable organizations to avoid additional excise tax.

4. 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 financial instruments is not necessarily an indication of the risk associated with carrying those instruments.

4. Fair Value Measurements (continued)

The three-level hierarchy for fair value measurement 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.

The Foundation's marketable securities are invested in equity and fixed income securities and are classified under Level I of the three-level hierarchy.

The Foundation's investment in the limited partnership is valued using NAV per share as a practical expedient for measuring fair value and are not presented under the fair value hierarchy. The value of this investment presented in the accompanying financial statements is not necessarily indicative of amounts the Foundation could realize upon liquidation of the non-marketable investment and the difference between the recorded value and the amount realized could be material to the financial statements. The limited partnership is summarized as follows:

	Investment Strategy Focus	Redemption	Unfunded Commitment at December 31, 2018	Fair Value of Investment at December, 31, 2018
Limited Partnership Jordan Park Access Solutions Private Assets 2018 – A L.P.	Real Estate, Software, Multiple Industries	Not Permitted	$ 57,180,138	$ 2,744,584

5. Investments

Fair value, cost and cumulative net unrealized depreciation of the Foundation's investments are as follows at December 31, 2018:

	Fair Value	Cost	Cumulative Unrealized Depreciation
Equity securities	$ 198,599,092	$ 200,436,019	$ (1,836,927)
Fixed income securities	231,971,087	237,131,446	(5,160,359)
Limited partnerships	2,744,584	2,819,862	(75,278)
Total	$ 433,314,763	$ 440,387,327	$ (7,072,564)

6. Grants Payable

Grants payable over more than one year are discounted using an average risk adjusted rate of 5%. Grants, net of discount, are payable as follows at December 31:

2019	$ 7,960,000
2020	2,805,000
	10,765,000
Less: discount	133,131
	$ 10,631,869

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.