



**Sunlight Giving Foundation**  
**Financial Statements**  
**December 31, 2015**

Board of Directors  
Sunlight Giving Foundation  
Palo Alto, California

Certified  
Public  
Accountants



Palo Alto  
San Francisco  
San Jose  
St. Helena

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Sunlight Giving Foundation, which comprise the statement of financial position as of December 31, 2015, 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 the Sunlight Giving Foundation as of December 31, 2015, and the change in 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, Rimmerman & Co. LLP*

Palo Alto, California  
August 5, 2016

**Sunlight Giving Foundation**  
**Statement of Financial Position**  
**December 31, 2015**

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ASSETS

Cash and Cash Equivalents	\$ 131,459,248
Investment Income Receivable	967,999
Unsettled Trades Receivable	111,579
Prepaid Expenses and Other Assets	332
Investment in Marketable Securities	<u>241,273,743</u>
Total assets	<u><u>\$ 373,812,901</u></u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Accrued Expenses	\$ 227,058
Federal Excise Tax Payable	5,006
Unrestricted Net Assets	<u>373,580,837</u>
Total liabilities and unrestricted net assets	<u><u>\$ 373,812,901</u></u>

**Sunlight Giving Foundation**  
**Statement of Activities and Change in Unrestricted Net Assets**  
**Year Ended December 31, 2015**

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Revenue and Income	
In-kind contribution of marketable securities	\$ 387,346,977
Net realized and unrealized loss on marketable securities	(5,377,242)
Interest and dividends	2,643,843
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Total revenue and income	384,613,578
Expenses	
Charitable grants	6,416,600
Professional fees	546,253
General and administrative	9,458
Investment related expenses	351,045
Excise and other taxes	3,890,204
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Total expenses	11,213,560
Change in Unrestricted Net Assets	373,400,018
Unrestricted Net Assets, December 31, 2014	180,819
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Unrestricted Net Assets, December 31, 2015	<u>\$ 373,580,837</u>

See Notes to Financial Statements

**Sunlight Giving Foundation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2015**

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Cash Flows from Operating Activities	
Change in unrestricted net assets	\$ 373,400,018
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:	
In-kind contribution of marketable securities	(387,346,977)
Net realized and unrealized loss on investments	5,377,242
Changes in operating assets and liabilities:	
Investment income receivable	(967,999)
Prepaid expenses and other assets	38,818
Accrued expenses	201,121
Federal excise taxes payable	5,006
Net cash used by operating activities	<u>(9,292,771)</u>
Cash Flows from Investing Activities	
Proceeds from sale of marketable securities	389,994,856
Purchase of marketable securities	<u>(249,410,443)</u>
Net cash provided by investing activities	<u>140,584,413</u>
Net increase in cash and cash equivalents	131,291,642
Cash and Cash Equivalents, December 31, 2014	<u>167,606</u>
Cash and Cash Equivalents, December 31, 2015	<u><u>\$ 131,459,248</u></u>

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Supplemental Disclosure of Cash Flow Information

Cash paid for excise taxes	<u>\$ 3,885,001</u>
Amount due for sale of marketable securities	<u>\$ 111,579</u>

See Notes to Financial Statements

## Sunlight Giving Foundation

### Notes to Financial Statements

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#### 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. The Foundation supports national and local nonprofit organizations in the greater Bay Area that provide basic services to low income families with children, up to age 5, who live or work in the Bay Area, specifically in Santa Clara and San Mateo counties. The Foundation gives charitable grants in the program areas of food security, housing stability, healthcare access, and other needs. 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 is all unrestricted.

In-kind contributions of marketable securities from the Founder 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 investments.

## Sunlight Giving Foundation

### Notes to Financial Statements

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#### 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. Donated services have not been material 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 to \$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.

##### *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.



## Sunlight Giving Foundation

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *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 operating 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 2015, the Foundation met the requirements for the reduced excise tax rate. In 2015, the Foundation recorded \$3,890,007 of federal excise tax at a rate of 1% on the sale of donated marketable securities.

#### 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 securities are not necessarily an indication of the risk associated with investing in those securities.

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.

**Sunlight Giving Foundation**  
**Notes to Financial Statements**

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3. Fair Value Measurements (continued)

An investment'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 depreciation of the Foundation's investments are as follows at December 31, 2015:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Depreciation</u>
Equity securities	\$ 107,330,879	\$ 110,189,100	\$ (2,858,221)
Equity securities unsettled trades	111,579	94,965	16,614
Fixed income securities	<u>133,942,864</u>	<u>135,732,344</u>	<u>(1,789,480)</u>
Total	<u>\$ 241,385,322</u>	<u>\$ 246,016,409</u>	<u>\$ (4,631,087)</u>

5. Investment Income (Loss)

Investment income comprises the following for the year ended December 31, 2015:

	<u>Interest and Dividend Income</u>	<u>Net Realized and Unrealized Loss</u>	<u>Investment Related Expenses</u>	<u>Net Investment Loss</u>
Marketable securities	<u>\$ 2,643,843</u>	<u>\$ (5,377,242)</u>	<u>\$ (351,045)</u>	<u>\$ (3,084,444)</u>

6. 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.