Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Skoll Foundation

December 31, 2014

Contents

Report of Independent Certified Public Accountants

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Board of Directors
Skoll Foundation

We have audited the accompanying consolidated financial statements of Skoll Foundation, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the 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. 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 financial position of Skoll Foundation as of December 31, 2014, 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.

Grant Thornton LLP

San Jose, California
September 3, 2015

Consolidated statement of financial position

Assets		
Cash	$	4,392,367
Prepaid expenses and deposits		237,822
Federal excise tax refund receivable		354,815
Investments, at fair value		589,735,833
Investment sales receivable		64,081
Interest and dividend receivable		722,097
Program-related investments		9,069,385
Property and equipment, net		127,752
Total assets	$	604,704,152
Liabilities		
Accounts payable		481,257
Accrued expenses and other liabilities		1,752,506
Grants payable, net		6,286,932
Deferred federal excise tax payable		2,513,495
Total liabilities		11,034,190
Net assets		
Unrestricted		593,669,962
Total net assets		593,669,962
Total liabilities and net assets	$	604,704,152

Consolidated statement of activities

		Unrestricted		Temporarily restricted		Total
Revenue						
Contributions	$	20,228,939	$	-	$	20,228,939
Investments gain, net		49,664,526		-		49,664,526
Earned revenue		1,448,458		-		1,448,458
Net assets released from restriction		89,292		(89,292)		-
Total net revenue		71,431,215		(89,292)		71,341,923
Expenses						
Grants		14,560,554		-		14,560,554
Direct charitable expenses		4,376,857		-		4,376,857
Program and administrative expenses		17,318,912		-		17,318,912
Federal excise tax expense		1,677,283		-		1,677,283
Total expenses		37,933,606		-		37,933,606
Change in net assets		33,497,609		(89,292)		33,408,317
Net assets, beginning of year		560,172,353		89,292		560,261,645
Net assets, end of year	$	593,669,962	$	-	$	593,669,962

Consolidated statement of cash flows

Cash flows from operating activities		
Change in net assets	$	33,408,317
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization		83,277
Net realized and unrealized gain on investments		(51,333,926)
Net realized and unrealized loss on program-related investments		1,321,666
Contributions of investment securities		(16,956,195)
Investment management expenses		2,470,229
Deferred excise taxes		553,626
Change in operating assets and liabilities		
Investment sales receivable		7,822,070
Interest and dividend receivable		(126,881)
Prepaid expenses and deposits		(37,605)
Federal excise tax refund receivable		(354,815)
Accounts payable		85,618
Investment purchases and other liabilities		-
Accrued expenses and other liabilities		60,194
Grants payable, net		1,279,079
Net cash used in operating activities		(21,725,346)
Cash flows from investing activities		
Purchase of property and equipment		(47,805)
Purchases of program-related investments		(819,230)
Proceeds from program-related investments		1,731,616
Purchases of investments		(256,559,099)
Proceeds from the sale of investments		277,597,032
Net cash provided by investing activities		21,902,514
Net increase in cash		177,168
Cash, beginning of year		4,215,199
Cash, end of year	$	4,392,367
Supplemental data		
Cash paid for excise taxes	$	1,500,000

Notes to consolidated financial statements

Note 1 – The organization

Skoll Foundation (the "Foundation") is a private foundation established by Jeffrey Skoll in 2002. The Foundation's mission is to drive large-scale change by investing in, connecting, and celebrating social entrepreneurs and the innovators who help them solve the world's most pressing problems.

The Foundation is organized as a non-profit charitable corporation and operates from its office in Palo Alto, California. The Foundation is the sole member of the Skoll Global Threats Fund, a private foundation and membership organization established by Jeffrey Skoll in 2009. The mission of the Skoll Global Threats Fund is to confront global threats imperiling humanity by seeking solutions, strengthening alliances, and spurring the actions needed to safeguard the future. The Skoll Global Threats Fund is consolidated with the Foundation for financial statement purposes. All significant inter-entity transactions have been eliminated in consolidation.

Note 2 – Significant accounting policies

Basis of presentation

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

Net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Cash

Cash consists of demand deposits maintained at a major commercial bank.

Revenue

Contributions are recorded as revenue when verifiable, measureable, and all applicable conditions have been met. Contributions subject to donor restriction are reflected as temporarily restricted revenue. When a donor restriction expires, that is, a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

Note 2 – Significant accounting policies (continued)

Investments

Investments are recorded at fair value, determined in accordance with the provisions of Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*. ASC 820 establishes a fair value hierarchal disclosure framework which prioritizes and ranks the level of market price observable inputs used in measuring investments at fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's categorization in the hierarchy is based upon the lowest level input that is significant to the fair value measurement based on quoted market prices. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs based on quoted market prices for identical assets or liabilities in an active market. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data. Price inputs are quoted prices for identical or similar financial instruments in markets that are not active, and model-derived valuations in which all significant inputs or significant value drivers are observable in active markets.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited interests.

Investments in equity and debt securities with readily determinable prices are stated at fair value. Private investments that do not carry publicly observable prices are valued utilizing a variety of valuation methodologies.

Securities are classified within Level 3 when there is limited activity or less transparency around inputs to the valuation, such as when there is a lack of information related to equity securities held in private companies.

Equity securities classified in Level 3 include privately held companies. These private investments most usually represent direct ownership in a formed entity or corporation and are likewise assigned a value according to the overall determination of value of the formed entity or corporation. The most common methodologies of valuation which are applied include, but are not limited to, liquidation of stockholders' equity (accounting value), observable pricing, and external qualified opinions of valuation.

Note 2 – Significant accounting policies (continued)

Investments, continued

Inputs that are used in internal valuation will vary according to investment characteristics, but most common forms of inputs include, but are not limited to, audited financial statements, ownership capitalization tables, purchase and sales agreements, limited liability company agreements, debt covenant agreements, and public comparables. Additionally, unobservable inputs learned through confidential and insider relationships with invested entities or corporations factors may be employed in valuation.

If quoted market prices are not available or accessible for debt securities, then fair values are estimated using pricing models or matrix pricing. The pricing models or matrices used in internal valuation of private debt investments most generally compare the relevant characteristic of an observed comparable to the valued investment and apply a relationship between the comparable and the valued investment over a period of time or at a certain point in time to derive estimates of value. Various factors considered in comparison evaluation include, but are not limited to, the following: market price activity, yield (spread) momentum, callability features, and capital structure amendments. The fair values of corporate debt securities estimated using pricing models or matrix pricing include observable prices of corporate debt securities that do not trade in active markets and are generally classified within Level 2 of the fair value hierarchy. Such securities are classified within Level 3 when there is limited activity or less transparency around inputs to the valuation.

Financial derivative instruments are recorded at fair value based on the last reported sale price or, if they are traded over-the-counter, at the most recent bid price in the accompanying consolidated statement of financial position, with changes in the fair value reflected in the accompanying consolidated statement of activities.

Investments in partnerships and limited liability companies that do not have readily available market values are stated at fair value as reported by the general partner. These investments include a diverse range of vehicles, including private equity, absolute return funds, real estate, and commodity funds. The valuation of these investments is based on the most recent value provided by the general partner, usually with a December 31 "as of" date. To evaluate the overall reasonableness of the valuation carrying value, management obtains and considers the audited financial statements of such investments. Management believes this method provides a reasonable estimate of fair value. However, the recorded value may differ from the market value had a readily available market existed for such investments, and those differences could be material. These investments are classified within Level 3 with the exception of those that can be redeemed within ninety days of December 31, 2014, which are classified as Level 2. Investment transactions are recorded on the trade date which results in both investment receivables and payables on unsettled investment trades. Gains and losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized gains or losses on sales of investments are calculated on an adjusted cost basis. Dividend and interest income are accrued when earned.

Cash equivalents categorized as investments are comprised of money market mutual funds.

Note 2 – Significant accounting policies (continued)

Program-related investments

The Foundation makes investments which advance its charitable mission and qualify as charitable distributions by the Internal Revenue Service. Such investments earn below risk-adjusted market rates of return. Program-related investments made in the form of loans and deposits are valued at cost while those made through private equity funds are recorded at fair value. Program-related investments at December 31, 2014 include $5,140,578 of loans with maturity dates ranging from 2015 to 2020 made directly to individual businesses and investment funds; $3,067,703 invested in private equity funds with maturity dates through 2021; and $861,104 in a pledged deposit to collateralize a loan in the same amount to fund a fleet of health care service vehicles in Gambia.

Management has reviewed all program-related investments held at cost and believes no impairment allowance is necessary as of December 31, 2014. All program-related loans are current and on an active accrual status. Based on the performance of matured and active program-related loans, the Foundation has not created an allowance for credit losses. The Foundation periodically reviews the valuation of program-related loans and adjusts their carrying value based on various factors including exchange rates, fund manager valuations, and interest and principal payment performance.

Program-related investments measured at fair value are valued based on Level 3 inputs per the fair value hierarchy. The following is a roll-forward of activity for these program-related investments:

Ending balance at December 31, 2013	Realized losses	Change in unrealized losses	Purchases	Sales and settlements	Ending balance at December 31, 2014
$ 3,191,656	$ -	$ (442,902)	$ 396,695	$ (77,746)	$ 3,067,703

Property and equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated lives of the respective assets as follows:

Computers and software:	3 years
Furniture and fixtures:	5 years
Leasehold improvements:	5 years

Grants

Grant expenditures are recognized in the period the grant is approved provided the grant is not subject to future contingencies. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

As of December 31, 2014, the Foundation awarded conditional grants totaling $365,000, of which $365,000 was recorded as grant expense in 2014, pursuant to the terms of the grants.

Note 2 – Significant accounting policies (continued)

Contributed services

Contributed services are recognized as revenues and expenses if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair value of contributed services recorded in the accompanying consolidated statement of activities, consisting of investment management and facility use services provided by a related party, totaled $3,272,744 for the year ended December 31, 2014.

Contributed investment management services are reflected as contribution revenue and as contributed investment management expense which are netted against investment income. Contributed facility use services are reflected in contribution revenue and in direct charitable and program and administrative expense.

Presentation of expenses on the statement of activities

The Foundation's operating costs have been allocated between direct charitable and program and administrative expenses in the accompanying statement of activities. Direct charitable expenses are charitable costs incurred by the Foundation largely for the benefit of others, where the Foundation initiates and conducts the activity in part or in whole. Direct charitable expenses reported in the accompanying consolidated statement of activities represent the contribution of services, such as grantmaking and program coordination, to the Skoll Fund. The Skoll Fund awarded $31,539,543 (unaudited) of grants during the twelve-month period ended December 31, 2014. The Skoll Fund is a supporting organization affiliated with the Silicon Valley Community Foundation.

The Silicon Valley Community Foundation appoints the majority of the Skoll Fund's Directors. Together with the Foundation, the Skoll Fund seeks to drive large-scale change by investing in, connecting, and celebrating social entrepreneurs and other innovators dedicated to solving the world's most pressing problems. The allocation between direct charitable and program and administrative expenses is based on the assignment of payroll, employment taxes and benefits based on staff estimates of the time spent on the relevant programs; direct assignment of non-payroll expenses to the relevant activities; and an allocation of remaining expenses based on the value and number of grants awarded and paid by the Skoll Fund and the Foundation during the reporting period.

Fair value of financial instruments

The carrying amounts of cash, investment sales receivable, program-related investments, accounts payable, accrued expenses and other liabilities, and grants payable approximate fair value because of the short maturity of these items. Investments are carried at estimated fair value as described above.

Concentrations of credit risk

Financial instruments which potentially subject the Foundation to credit risk consist primarily of cash, investments, and program-related investments. The Foundation maintains cash primarily with one major financial institution. Such cash amounts may exceed Federal Deposit Insurance Corporation limits. The Foundation monitors its investments and has not experienced any significant credit losses.

Note 2 – Significant accounting policies (continued)

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, liabilities, revenue, expenses, and the disclosure of commitments at the date of the consolidated financial statements. Actual results could differ from those estimates.

Foreign currencies

Foreign currency amounts are translated into U.S. Dollars based on exchange rates as of December 31, 2014. Transactions in foreign currencies are translated into U.S. Dollars at the exchange rate prevailing on the transaction date.

Income taxes

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and provides guidance on the recognition, re-recognition, and measurement of benefits related to an entity's uncertain tax positions, if any. The Foundation adopted ASC 740-10-25 on July 1, 2009, and the adoption of this standard had no material effect on the Foundation's consolidated financial statements as of adoption or at December 31, 2014. As such, the Foundation does not have a deferred tax asset on the consolidated statement of financial position, and there have been no related tax penalties or interest which would be classified as tax expense in the consolidated statement of activities. The Foundation is subject to income taxes in the United States and California on unrelated business income. The Foundation's federal returns are currently open under the statute of limitations for the year ended December 31, 2011 and for subsequent years and the Foundation's California returns are open for the year ended December 31, 2010 and for subsequent years.

The Foundation does not anticipate that there will be any material changes in the unrecognized tax positions over the next twelve months.

Recently issued accounting pronouncements

In May of 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The guidance removes certain disclosure requirements relating to fair value measurements and modifies the disclosure requirements for investments valued using net asset value. The ASU is effective for fiscal years beginning after December 31, 2016 and early adoption is permitted. The Foundation does not believe that the adoption of this ASU will have a material impact on its financial statements, however, it will result in the simplification of certain investment disclosures.

Note 3 – Investments

The investment goals of the Foundation include inflation-adjusted preservation of capital and providing funds for pursuing the Foundation's charitable mission. The Foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies. As a general practice, all financial assets of the Foundation are managed by external investment management firms. The Foundation's investments consisted of the following at December 31, 2014:

Cash equivalents	$ 26,505,325
Credit strategies	30,006,916
Derivatives	321,753
Fixed income	80,175,328
Global equities	181,633,171
Hedge fund strategies	71,646,482
Private equity	171,626,516
Real assets	27,820,342
	$ 589,735,833

Credit strategies are investments in debt-related instruments or in funds that are actively purchasing and selling debt-related instruments on an opportunistic basis. Investments may include bank loans, high-yield debt, real estate debt, mezzanine and second lien debt, distressed debt, emerging market debt, preferred stock, absolute return funds, and similar securities. Fixed income consists of investments that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. Most of the investments in this category are U.S. Treasury securities.

Global equities consist of investments in funds or made directly that focus in equity securities listed in or with exposure to: the United States, Europe, Asia, and other developing and emerging markets around the world. Hedge fund strategies are investments in funds that are expected to be multi-disciplinary and with managers that have the expertise to engage in both event-driven and hedged positions. Private equity includes investments in funds that make investments in private companies, either directly in the company or through underlying funds. Real assets consist of investments in funds or made directly that focus on real estate, energy, commodities, renewable resources, and hard tradable assets.

Note 3 – Investments (continued)

The following table presents the assets that are measured at fair value on the statement of financial position by level within the valuation hierarchy at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 26,505,325	$ -	$ -	$ 26,505,325
Credit strategies	-	-	30,006,916	30,006,916
Derivatives	-	321,753	-	321,753
Fixed income	80,175,328	-	-	80,175,328
Global equities	33,969,415	67,983,294	79,680,462	181,633,171
Hedge fund strategies	-	37,508,761	34,137,721	71,646,482
Private equity	-	-	171,626,516	171,626,516
Real assets	-	3,128,311	24,692,031	27,820,342
Total investments	$ 140,650,068	$ 108,942,119	$ 340,143,646	$ 589,735,833

The following table includes a roll-forward of the amounts for the year ended December 31, 2014 for investments classified within Level 3:

	Ending balance at December 31, 2013	Realized gains	Change in unrealized gains (losses)	Net purchases	Sales and settlements	Net transfers in Level 3	Ending balance at December 31, 2014
Credit strategies	$ 35,957,170	$ 3,934,243	$ (3,296,790)	$ 3,026,948	$ (9,614,655)	$ -	$ 30,006,916
Global equities	66,974,951	2,013,576	3,202,795	11,589,468	(4,100,327)	-	79,680,463
Hedge fund strategies	29,724,180	1,100,651	29,697	10,813,427	(7,530,235)	-	34,137,720
Private equity	158,570,107	7,292,337	30,881,261	16,466,097	(23,510,235)	(18,073,051)	171,626,516
Real assets	22,897,937	712,654	114,824	9,743,165	(8,776,549)	-	24,692,031
Total funds	$ 314,124,345	$ 15,053,461	$ 30,931,787	$ 51,639,105	$ (53,532,001)	$ (18,073,051)	$ 340,143,646

The amount included in the consolidated statement of activities for the year attributable to the change in unrealized gains related to Level 3 assets still held at the reporting date was $22,843,864 Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. Transfers for the year ended December 31, 2014 result from a change in liquidity periods.

Note 3 – Investments (continued)

The Foundation uses Net Asset Value ("NAV") to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists the attributes of investments valued using NAV:

Fund	Fair value	Number of funds	Remaining life	Unfunded commitments	Timing to drawdown commitments	Redemption frequency (if currently eligible)	Redemption restrictions in place at year-end
Credit strategies	$ 30,006,916	11	0 - 4 years	$ 1,085,343	0 - 4 years	Quarterly, annually, multi-annually, or not redeemable	Notification days ranging from 0 - 120 days subject to lock-up conditions where applicable, or not redeemable.
Global equities	$ 123,831,876	18	0 - 9 years	$ 16,277	0 - 2 years	Monthly, quarterly, annually, multi-annually	Notification days ranging from 7 - 120 days subject to lock-up conditions where applicable, or not redeemable.
Hedge fund strategies	$ 71,646,482	15	0 - 10 years	$ -	N/A	Monthly, quarterly, annually, semi-annually, multi-annually, or not redeemable	Notification days ranging from 5 - 120 days subject to lock-up conditions where applicable.
Private equity	$ 144,965,003	51	0 - 10 years	$ 8,211,321	0 - 10 years	Not redeemable	Not redeemable
Real assets	$ 18,234,896	13	0 - 10 years	$ 2,634,062	0 - 10 years	Not redeemable	Not redeemable
Total	$ 388,685,173	108		$ 11,947,003			

Note 3 – Investments (continued)

The table below provides a description of the valuation techniques and the inputs used in Level 3 fair value measurements other than those based on observed transaction prices or valued using NAV at December 31, 2014:

Industry	Fair value	Valuation technique(s)	Unobservable inputs	Range (weighted-average)
Agriculture	$ 530,104	Discounted cash flows	Discount rate	12% - 21%
Consumer discretionary	1,140,709	Guideline public company method	Revenue multiple	0.29X – 7.54X
Consumer staples	99,724	2013 transaction value less working capital shortfall	N/A	N/A
Energy	5,091,916	Sum of parts: business value + value of loan made to another company + underlying value of spin off.	Liquidity event	3 years
		Discounted cash flows.	Weighted average cost of capital	10% - 17%
		Combination of guideline public company method and recent bid.	Revenue multiple	.21X – 0.61 X
		Sum of parts: business audited statements + investment in business held at cost	N/A	N/A
Healthcare	8,326,440	Probability-weighted expected return method	Probability weighted expected return	N/A
Materials	1,578,810	Discounted cash flows	Discount rate	4% - 15%
Total	$ 16,767,073			

Note 3 – Investments (continued)

The Foundation has authorized its investment manager to use derivatives in the active management of the investment portfolio. In the opinion of the Foundation's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategy employed. Using such instruments reduces certain investment risks and may add value to the portfolio. Financial derivative instruments are recorded at fair value in the accompanying consolidated statement of financial position along with other investments, and changes in the fair value are reflected in the accompanying consolidated statement of activities within investment gain, net.

The following table lists the fair value of derivatives by contract type as included in the consolidated statement of financial position at December 31, 2014. This table excludes exposures relating to derivatives held indirectly through comingled funds. The derivative instruments are not designated as hedging instruments under ASC 815.

	Notional values	Fair value
Public equity swaps	$ 10,610,528	$ 321,753
Total derivatives	$ 10,610,528	$ 321,753

The realized loss recognized for derivative instruments for the year ended December 31, 2014 was $358,263 and is included in investment gain, net in the consolidated statement of activities.

The Foundation has additional exposure to derivatives through commingled funds. Individual derivative contracts involve, to varying degrees, risk of loss arising from the possible inability of counterparties to meet the terms of the contracts. However, the Foundation minimizes such risk exposure by limiting counterparties to major financial institutions. The Foundation does not expect to record any losses as a result of counterparty default.

The investment assets of the Foundation are held in custody by a major financial services firm, except for assets invested with partnerships and commingled funds, which have separate arrangements related to their legal structure.

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

As of December 31, 2014, the Foundation is committed to invest additional funding of $11,947,003 in limited partnerships and similar interests.

As of December 31, 2014, the Foundation's Board had approved funding an additional $3,453,042 in program-related investments in the form of loans and other investments.

Note 3 – Investments (continued)

Investment gain reported in the consolidated statement of activities was comprised of the following for the year ended December 31, 2014:

Dividend and interest income	$	4,567,767
Net realized and unrealized gains on investments		51,333,932
Net realized and unrealized (losses) on program-related investments		(1,321,666)
Investment expenses		
Contributed investment management expenses		(2,270,000)
Third party investment management expenses		(2,554,199)
Program-related investments and other expenses		(91,308)
Investment gain, net	$	49,664,526

Note 4 – Property and equipment

Property and equipment consisted of the following at December 31, 2014:

Computers and software	$	489,830
Furniture and fixtures		290,842
Leasehold improvements		217,741
		998,413
Less accumulated depreciation and amortization		(870,661)
Property and equipment, net	$	127,752

Note 5 – Grants payable

Grants are recorded as grants payable when they are approved. Some of the grants are payable in installments, generally over a three-year period. At December 31, 2014, grants payable were discounted using a rate of 1.20%. Grants authorized but unpaid at December 31, 2014 were payable as follows:

		Due in 1 year		Due in 1 - 5 years		Total
Grants outstanding	$	3,938,166	$	2,370,834	$	6,309,000
Discount		-		(22,068)		(22,608)
Grants payable, net	$	3,938,166	$	2,348,766	$	6,286,932

Note 6 – Federal excise tax

The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and the California Franchise Tax Board has determined that the Foundation is exempt from California franchise and/or income tax under section 23701(d) of the Revenue and Taxation Code. The Foundation is subject to federal excise tax imposed on private foundations at 2% or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined by federal regulations. The Foundation qualified for a 2% excise tax rate for fiscal 2014. The Foundation provides for deferred federal excise tax on unrealized gains on investments at a rate of 2%, which is an estimate of the effective rate expected to be paid. The components of the Foundation's federal excise tax expense in the consolidated statement of activities are as follows:

Current	$	1,123,657
Deferred		553,626
Federal excise tax expense	$	1,677,283

Note 7 – Related party transactions

During the year ended December 31, 2014, the Foundation purchased tax and accounting services from a firm, a principal of which is also a director of the Foundation. The Foundation paid an immaterial amount for these services. In addition, investment management and facility services were contributed by a firm, as discussed in Note 2, a principal of which is also a director of the Foundation. The Foundation's contribution of services to the Skoll Fund is also discussed in Note 2. Certain board members of the Skoll Fund also sit on the Board of the Foundation. During 2014 the Skoll Foundation made a contribution to the Skoll Fund in the form of limited partnership units of Greentech Cap Advisors L.P. valued at $1,663,036. During 2014 a Foundation Director recused himself from the decision to grant $850,000 to an organization on whose board he also served.

Note 8 – Retirement plan

The Foundation sponsors a defined contribution plan (the "Plan") under Internal Revenue Code Section 403(b). The Plan covers all employees who meet eligibility requirements. Employer contributions to the Plan are made monthly and vest immediately. Total expenses related to the Plan were $899,074 for the year ended December 31, 2014.

Note 9 – Temporarily restricted net assets

Temporarily restricted net assets were available for the purpose of designing and developing a collaboration environment for social entrepreneurs. Net assets of $89,292 for the year ended December 31, 2014 were released from restriction by incurring expenses satisfying the restricted purpose by the donor.

Note 10 – Subsequent events

The Foundation has evaluated subsequent events through September 3, 2015, the date the consolidated financial statements were issued. The Foundation received contributions from its founder valued at $8,519,859 subsequent to December 31, 2014.