Consolidated Financial Statements and Report of Independent Certified Public Accountants

Skoll Foundation

December 31, 2017

Contents

Grant Thornton

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 and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2017, 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.

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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 and subsidiary as of December 31, 2017, 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
August 24, 2018

Consolidated statement of financial position

Assets		
Cash	$	3,453,470
Prepaid expenses and deposits		467,022
Federal excise tax refund receivable		681,177
Contributions receivable		588,735
Investments, at fair value		602,791,186
Interest and dividend receivable		496,440
Program-related investments		8,925,647
Property and equipment, net		2,523,358
Total assets	$	619,927,035
Liabilities		
Accounts payable		359,127
Accrued expenses and other liabilities		2,521,723
Grants payable, net		8,702,500
Deferred federal excise tax payable		4,534,501
Total liabilities		16,117,851
Net assets		
Unrestricted		603,206,423
Temporarily restricted		602,761
Total net assets		603,809,184
Total liabilities and net assets	$	619,927,035

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of activities

	Unrestricted	Temporarily Restricted	Total
Revenue			
Contributions	$ 12,840,244	$ 900,000	$ 13,740,244
Investment gain, net	73,641,624	-	73,641,624
Earned revenue	901,275	-	901,275
Net assets released from restriction	297,239	(297,239)	-
Total net revenue	87,680,382	602,761	88,283,143
Expenses			
Grants	24,026,277	-	24,026,277
Direct charitable expenses	4,335,049	-	4,335,049
Program and administrative expenses	22,746,932	-	22,746,932
Federal excise tax expense	1,444,636	-	1,444,636
Total expenses	52,552,894	-	52,552,894
Change in net assets	35,127,488	602,761	35,730,249
Net assets, beginning of year	568,078,935	-	568,078,935
Net assets, end of year	$ 603,206,423	$ 602,761	$ 603,809,184

Consolidated statement of cash flows

Cash flows from operating activities		
Change in net assets	$	35,730,249
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization		212,487
Net realized and unrealized gain on investments		(72,154,030)
Net realized and unrealized loss on program-related investments		135,375
Contributions of investment securities		(9,577,500)
Investment management expenses		1,535,918
Deferred excise taxes		1,084,467
Change in operating assets and liabilities		
Investment sales receivable		1,386,490
Interest and dividend receivable		733,038
Contributions receivable		(588,735)
Prepaid expenses and deposits		(45,916)
Federal excise tax refund receivable		226,030
Accounts payable		(569,374)
Accrued expenses and other liabilities		1,178,423
Grants payable, net		2,272,500
Net cash used in operating activities		(38,440,578)
Cash flows from investing activities		
Purchase of property and equipment		(278,341)
Purchases of program-related investments		(1,713,593)
Proceeds from program-related investments		120,919
Purchases of investments		(399,697,493)
Proceeds from the sale of investments		439,871,902
Net cash provided by investing activities		38,303,394
Net decrease in cash		(137,184)
Cash, beginning of year		3,590,654
Cash, end of year	$	3,453,470

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 an 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, measurable, and all applicable conditions have been met. Contributions subject to donor restriction are reflected as revenue with donor restriction. 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 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. 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 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 the 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. 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, 2017 include $4,501,331 of loans with maturity dates ranging from 2017 to 2026 made directly to individual businesses and investment funds; $4,037,236 invested in private equity funds with maturity dates through 2022; and $387,080 in a pledged deposit to collateralize a loan in the same amount to fund a fleet of health care service vehicles in Gambia. As of December 31, 2017, there were two approved, but unfunded, program related investments totaling $3,500,000.

As of December 31, 2017, the Foundation held $2,000,000 in a blocked account for the sole purpose of guaranteeing a working capital line of credit in the same amount in favor of KickStart, a Foundation grantee. The guarantee winds down to zero and the funds are unblocked in stages over a period of time ending on July 31, 2019. The guarantee would take effect should KickStart ever default on its line of credit. To date, this has never occurred.

Management has reviewed all program-related investments held at cost, totaling $4,888,411, and has evaluated each investment for impairment. At December 31, 2017, program-related investments were written-down by $456,965. 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, 2016	Realized losses	Change in unrealized gains	Purchases	Sales and settlements	Ending balance at December 31, 2017
$ 3,333,070	$ -	$ 417,154	$ 349,722	$ (62,710)	$ 4,037,236

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:	5-10 years
Leasehold improvements:	5-15 years

Note 2 – Significant accounting policies (continued)

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, 2017, the Foundation awarded conditional grants totaling $8,200,000 of which $0 was recorded as grant expense in 2017, pursuant to the terms of the grants.

As of December 31, 2017, no conditional grants were awarded by Skoll Global Threats, however, $50,000 of a previously awarded conditional grant was expensed in 2017 pursuant to the terms of the grant.

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 $3,262,744 for the year ended December 31, 2017.

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 $27,164,486 (unaudited) of grants during the twelve-month period ended December 31, 2017. 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.

Note 2 – Significant accounting policies (continued)

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.

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, 2017. 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. 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, 2014 and for subsequent years and the Foundation's California returns are open for the year ended December 31, 2013 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 adopted accounting pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. This guidance is effective for annual financial statements issued beginning after December 15, 2017. The Foundation is currently evaluating the impact on the consolidated financial statements.

Note 2 – Significant accounting policies (continued)

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-profit Entities (topic 958): Clarifying the Scope and Guidance for Contributions Received and Contributions Made.* This new guidance clarifies the evaluation of whether an exchange of assets is a contribution or an exchange transaction. It also clarifies the criteria to evaluate whether a contribution has a donor-imposed condition and how that impacts expense recognition. This guidance is effective for years beginning after December 15, 2019 for outgoing grants and is applied on a modified prospective basis. The Foundation is currently evaluating the impact on the consolidated financial statements.

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, 2017:

Cash equivalents	$ 81,736,652
Absolute return	62,306,312
Derivatives	5,743,751
Distressed credit	9,825,145
Fixed income	59,003,376
Global equities	154,352,546
Private equity	193,372,931
Real assets	36,450,473
	$ 602,791,186

Absolute return strategies are investments that seek to make positive returns by employing investment techniques that may include using short selling, futures, options, derivatives, arbitrage, leverage and unconventional assets. Distressed (debt and credit) securities are financial instruments issued by a company that is near to or currently going through bankruptcy. Investment may include common and preferred shares, bank debt, trade claims and corporate bonds.

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. 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, 2017:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Cash equivalents	$ 81,736,652	$ -	$ -	$ -	$ 81,736,652
Absolute return	-	-	11,359,347	50,946,965	62,306,312
Derivatives	-	5,743,751	-	-	5,743,751
Distressed credit	-	-	-	9,825,145	9,825,145
Fixed income	59,003,376	-	-	-	59,003,376
Global equities	-	-	-	154,352,546	154,352,546
Private equity	7,602,280	-	55,554,488	130,216,163	193,372,931
Real assets	-	-	22,731,218	13,719,255	36,450,473
Total investments	$ 148,342,308	$ 5,743,751	$ 89,645,053	$ 359,060,074	$ 602,791,186

The following table includes a roll-forward of the amounts for the year ended December 31, 2017 for investments classified within Level 3:

	Balance at December 31, 2016	Sales	Purchases	Unrealized gain, net	Realized gain (loss), net	Transfer in / out of level 3	Balance at December 31, 2017
Absolute return level 3	$ -	$ -	$ 10,872,785	$ 509,347	$ (22,785)	$ -	$ 11,359,347
Private equity level 3	43,052,908	(6,204,583)	4,085,229	12,313,829	2,307,104	-	55,554,488
Real assets level 3	6,227,533	(151,223)	2,408,045	1,167,689	(177,070)	13,256,244	22,731,218
Total	$ 49,280,441	$ (6,355,806)	$ 17,366,059	$ 13,990,865	$ 2,107,250	$ 13,256,244	$ 89,645,053

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 $13,990,865. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. There were $13,256,244 transfers from NAV to Level 3 during the reporting period.

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	Redemption frequency (if currently eligible)	Redemption restrictions in place at year-end
ABSOLUTE RETURN	$ 50,946,965	11	N/A		Weekly, monthly, quarterly, or not redeemable	Notification days ranging from 0 - 90 days subject to lock-up conditions where applicable, or not redeemable.
DISTRESSED CREDIT	$ 9,825,145	8	0 - 3 years	$ 707,413	Not redeemable	Not redeemable
GLOBAL EQUITIES	$ 154,352,546	20	N/A	$ 13,277	Weekly, monthly, quarterly, annually, semi-annually, or not redeemable	Notification days ranging from 0 - 90 days subject to lock-up conditions where applicable, or not redeemable.
PRIVATE EQUITY	$ 130,216,163	40	0 - 4 years	$ 2,443,003	Not redeemable	Not redeemable
REAL ASSETS	$ 13,719,255	13	0 -7 years	$ 4,355,484	Not redeemable	Not redeemable
	$ 359,060,074	92		$ 7,519,177		

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, 2017:

Industry	Fair value	Valuation technique(s)	Unobservable inputs	Range (weighted-average)
Consumer discretionary	4,322,478	Latest round financing	N/A	N/A
Consumer staples	105,268	50% weight to comparables and 50% to current valuation	EBITDA multiple	10.16x
Energy	3,317,725	Discounted cash flows	Discount rate	11%
		Sum of parts: business audited statements + investment in business held at cost	N/A	N/A
Healthcare	21,221,725	Valued based on probability weighted outcomes, including the most recent financing valuation, future transaction value, and a total loss of principal	Future transaction value	N/A
		Valued at the median range indicated by the comparable public companies, precedent transactions and DCF analysis	Discount rate / Revenue multiple / EBITDA multiple	7% - 15.5% / .25x-5.5x / 10x-30x
Total	$ 28,967,196			

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, 2017. 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	$ 52,584,221	$ 5,743,751
Total derivatives	$ 52,584,221	$ 5,743,751

The realized gain recognized for derivative instruments for the year ended December 31, 2017 was $7,260,531 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 which may involve exposure 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, 2017, the Foundation is committed to invest additional funding of $7,519,177 in limited partnerships and similar interests.

As of December 31, 2017, the Foundation's Board had approved funding an additional $3,500,000 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, 2017:

Dividend and interest income	$	5,421,573
Net realized and unrealized gains on investments		71,599,068
Net realized and unrealized (losses) on program-related investments		(135,375)
Investment expenses		
Contributed investment management expenses		(2,260,000)
Third party investment management expenses		(983,641)
Investment gain, net	$	73,641,624

Note 4 – Property and equipment

Property and equipment consisted of the following at December 31, 2017:

Computers and software	$	359,045
Furniture and fixtures		453,639
Leasehold improvements		2,576,464
Less accumulated depreciation and amortization		(865,790)
Property and equipment, net	$	2,523,358

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. Grants authorized but unpaid at December 31, 2017 were payable as follows:

	Due in 1 year	Due in 1 - 5 years	Total
Grants outstanding	$ 6,827,500	$ 1,875,000	$ 8,702,500

The impact of discounting on grants payable over one year was immaterial as of December 31, 2017.

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 forecasts qualifying for a 2% excise tax rate for fiscal 2017. 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 Skoll Global Threats Fund does not have any net investment income, therefore it is not subject to excise tax.

The components of the Foundation's federal excise tax expense in the consolidated statement of activities are as follows:

Current	$	360,169
Deferred		1,084,467
Federal excise tax expense	$	1,444,636

Note 7 – Related party transactions

During the year ended December 31, 2017, the Foundation received contributed investment management and facility services by a firm, as discussed in Note 2, whose principal 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 2017, the Foundation made three grants to an organization whose board a Foundation Director also served. The total of such grants was immaterial. During 2017, the Skoll Global Threats Fund made three grants to organizations on whose board a Foundation Director also served. The total of such grants was immaterial.

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 $1,095,912 for the year ended December 31, 2017.

Note 9 – Temporarily restricted net assets

During 2017, the Foundation received a $900,000 restricted contribution, payable over three years, to support a sub-program of the Skoll World Forum. As of December 31, 2017, $297,239 was released from restriction to cover operational expenses of the program.

Note 10 – Subsequent events

The Foundation has evaluated subsequent events through August 24, 2018, the date the consolidated financial statements were issued. As of December 31, 2017, the Skoll Global Threats Fund ("the Fund") ceased operations after spending down its grant budget. The Foundation will manage all remaining grant and operational commitments. Dissolution of the Fund is anticipated by the end of 2018.