THE SCHMIDT FAMILY FOUNDATION AND SUBSIDIARIES

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

The Schmidt Family Foundation and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

Consultants and Business Advisors

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Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF
THE SCHMIDT FAMILY FOUNDATION AND SUBSIDIARIES
Palo Alto, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **The Schmidt Family Foundation and its Subsidiaries** (collectively referred to as the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activity and changes in net assets 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.

Auditors' 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 Foundation'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 Foundation'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 The Schmidt Family Foundation and its subsidiaries as of December 31, 2014, 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.

Hood & Strong LLP

San Francisco, California
September 29, 2015

The Schmidt Family Foundation and Subsidiaries

Consolidated Statement of Financial Position

December 31, 2014

Assets		
Cash and cash equivalents	$	5,008,993
Investment related receivables		9,370,923
Portfolio investments		372,570,624
Program and mission related investments, net		10,789,428
Prepaid excise tax, expenses and deposits		404,246
Property and equipment, net		1,234,508
Total assets	$	399,378,722
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	$	1,617,050
Grants payable		8,368,354
Total liabilities		9,985,404
Unrestricted Net Assets		389,393,318
Total liabilities and net assets	$	399,378,722

See accompanying notes to the consolidated financial statements.

The Schmidt Family Foundation and Subsidiaries

Consolidated Statement of Activity and Changes in Net Assets

Year Ended December 31, 2014

Revenue and Support:	
Contributions	$ 703,200
Net realized and unrealized gains on investments	17,694,859
Dividend and interest income	5,093,807
Rental and other income	16,118
Investment related expenses	(1,329,571)
Federal excise and income taxes	(217,906)
Total revenue and other support	21,960,507
Expenses:	
Program services - grants awarded	25,759,550
Program services - direct charitable	7,958,966
Management and general	844,066
Total expenses	34,562,582
Change in Net Assets	(12,602,075)
Net Assets, Unrestricted - Beginning of year	401,995,393
Net Assets, Unrestricted - End of year	$ 389,393,318

See accompanying notes to the consolidated financial statements.

The Schmidt Family Foundation and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended December 31, 2014

Cash Flows from Operating Activities		
Change in net assets	$	(12,602,075)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments		(17,694,859)
Decline in charitable use property		1,143,798
Program related investment loan discount		63,153
Depreciation and amortization		409,817
Grants payable discount		(27,056)
Loss on disposal of property and equipment		12,140
Changes in operating assets and liabilities:		
Investment related receivables		(9,189,743)
Prepaid excise tax, expenses and deposits		(270,405)
Accounts payable and other liabilities		(1,582,572)
Grants payable		1,575,568
Net cash used by operating activities		(38,162,234)
Cash Flows from Investing Activities		
Acquisition and sales of property and equipment		(423,628)
Investments through notes receivable - program and mission related investments		(2,401,007)
Collection on notes receivable - program and mission related investments		152,822
Purchases of program and mission related investments		(1,201,892)
Sales and/or distributions from program and mission related investments		153,220
Purchases of portfolio investments		(73,574,590)
Proceeds from sales and distributions from portfolio investments		110,880,278
Net cash provided by investing activities		33,585,203
Decrease in Cash and Cash Equivalents		(4,577,031)
Cash and Cash Equivalents, beginning of year		9,586,024
Cash and Cash Equivalents, end of year	$	5,008,993
Supplemental Disclosure:		
Federal excise taxes paid	$	1,800,000

See accompanying notes to the consolidated financial statements.

Note 1 - Organization and Operations:

The Schmidt Family Foundation (the "Foundation"), established in 2006, is a California non-profit public benefit corporation that supports activities for charitable, scientific, literary, and educational purposes. The Foundation's mission is to advance the creation of an increasingly intelligent relationship between human activity and the use of the world's natural resources. The Foundation's support and revenue comes primarily through contributions from its Founders and investment returns.

Greenhound, LLC ("Greenhound"), a wholly owned subsidiary of the Foundation, was formed to further the Foundation's mission by working with the town of Nantucket, Massachusetts and the regional transit authority in developing a zero-emission transit operation model for the island's seasonal bus system. The goal is to reduce traffic congestion in the historic downtown streets and offer islanders and visitors an attractive mass transit option. The Greenhound facilities include a plot of land with a building, and is used by various governmental and non-profit organizations as a public transit bus depot, food pantry and community center.

ReMain Nantucket, LLC (“ReMain”) is a wholly owned subsidiary of the Foundation. ReMain is an island-based philanthropic organization established and dedicated to strengthening the lasting economic, environmental and social vitality of downtown Nantucket, Massachusetts by combining the creativity of a think tank with the energy of an advocacy organization.

ReMain 54, LLC (“ReMain 54”) is a wholly owned subsidiary of the Foundation. ReMain 54 owns real property currently being held as investment rental property.

The 11th Hour Project, the Foundation's main direct charitable program, works to promote a fuller understanding of the impact of human activity within the web of interdependent living systems. The program aims to connect organizations with good information on how to develop a more responsible relationship with the world's water, energy, and food resources.

Note 2 - Summary of Significant Accounting Policies:

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, Greenhound, LLC, ReMain Nantucket, LLC and ReMain 54, LLC, (collectively, “the Foundation”) after elimination of intercompany accounts and transactions.

b. Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables, and other liabilities.

c. Basis of Presentation

Consolidated financial statement presentation is on an accrued basis and follows the recommendations of the Financial Accounting Standards Board ("FASB") for not-for-profit entities. The Foundation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted net assets. Unrestricted net assets have no donor-imposed restrictions and include those revenues and expenses associated with program and supporting services. As of December 31, 2014, all of the Foundation's net assets were classified as unrestricted net assets.

d. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include excise tax and other accruals and the valuation of investments.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. The Foundation considers all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents.

Cash and cash equivalents are maintained at financial institutions, and at December 31, 2014, are insured under a federal program to the extent of $250,000 per depositor at each financial institution. Interest bearing accounts at December 31, 2014 approximated $5,009,000. The Foundation has not experienced any losses related to these balances.

f. Investment Related Receivables

Receivables include proceeds receivable from investment redemption, interest receivable from program related investment loans, accounts receivable from related parties and other dividend and interest receivables at year-end.

g. Investments

All investments, including program and mission related investments, are recorded at fair value. Fair value is defined as the price that one would receive by selling an asset or pay to transfer a liability in an orderly transaction among market participants at the measurement date. Investments are classified as program or mission related investments when they have been specifically selected due to their direct link to the Foundation's charitable purpose.

Mutual Funds and Exchange-traded funds

Mutual funds and exchange-traded funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and exchange-traded funds held by the Foundation are deemed to be actively traded.

Alternative Investments

The Foundation invests in alternative investments, including investments in limited partnerships and investment funds. The investment partnerships and funds are valued based on the NAV, as reported by the partnership or fund. The NAV of each partnership or fund is based on the value of the underlying assets owned by the fund minus its liabilities. The NAV is used as a practical expedient to estimate fair value, and is not used when it is determined to be probable that the Foundation will sell the investment for an amount different than the reported NAV. Because of the inherent uncertainty of valuations, however, these estimated fair values may differ from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Program and Mission Related Investments

The Foundation makes loans and investments to advance its charitable purpose. Program related investments consist of real estate property used for charitable purposes and loans outstanding that bear a below-market interest rate in either a senior or subordinated position. The loans are measured at fair value at inception to determine if a contribution element exists, and are recorded on a net basis to reflect a discount on loans receivable (if a contribution element exists) or a reasonable loss reserve. Loans are not collateralized.

The loss reserve estimate is reviewed on an annual basis and adjusted if collectability risk has significantly changed based on the Foundation’s understanding of the borrower’s financial health and/or payment history. Program-related investment impairments, if any, are recorded in Program services – direct charitable expense in the accompanying Consolidated Statement of Activity and Changes in Net Assets. No program-related investment write-offs or impairments were recorded in 2014.

Mission related investments can include loans made at market interest rates, private equity investments and venture capital and private equity funds. Mission related investments are made with the objective of achieving a social impact with market returns.

h. <u>Property and Equipment, Net</u>

Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of $750 are capitalized. Significant donated property and equipment are recorded at fair value at the date of receipt. If donors stipulate how long or for what purpose the assets must be used, the contributions would be recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the particular assets generally as follows: furniture and equipment 3 to 15 years, and leasehold improvements over the lesser of the assets' estimated useful lives or the term of the applicable lease. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. The carrying value of all long-lived assets is evaluated periodically to determine if an adjustment to the useful life or to the undepreciated balance is warranted.

i. Long Lived Assets

The Foundation reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable.

j. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include the Foundation's trade accounts payable, other liabilities incurred in the normal course of operations including payroll related liabilities, current and deferred taxes payable, and professional service fees due to a related party of the Foundation.

k. Grants

Grant expenditures are made in accordance with the Foundation’s mission and are recognized in the period the grant is approved and the recipient is notified, provided the grant is not subject to significant future conditions. 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.

l. Contributions and Revenue Recognition

Contributions are recognized as revenue at their fair value in the period the contribution is received, and to date have consisted primarily of public stock, facilities, services, and property and equipment. Contributions of public stock are recorded at quoted market prices at the date of donation. In-kind contributions of donated facilities, services, property and equipment are recorded at estimated fair value at the date of donation based on market appraisals, invoices and other information provided by the donors. The Foundation has been funded primarily through contributions received from the Founders. To date, such contributions have been unrestricted.

m. Functional Expense Allocations

The Foundation’s operating costs have been summarized on a functional basis as grants awarded, direct charitable, and management and general expenses on the Consolidated Statement of Activity and Changes in Net Assets.

n. Fair Value of Financial Instruments

Financial instruments included in the Foundation's Consolidated Statement of Financial Position as of December 31, 2014 include cash and cash equivalents, investments, investment related receivables, and program and mission related investments. For cash and cash equivalents and investment related receivables, the carrying amounts approximate fair value due to their short maturity. Investments and program and mission related investments are reflected in the accompanying Consolidated Statement of Financial Position at their estimated fair values using methodologies described above.

o. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash and cash equivalents, investments, investment related receivables and program and mission related investments. The Foundation maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments and money market funds. The Foundation's investments and investment related receivables have been placed with established financial institutions. The Foundation monitors these investments and has not experienced any credit losses.

The credit risk associated with the program-related investment loans receivable is monitored closely through review of financial reports received periodically during the year.

p. Accounting for Income Taxes

The Foundation is a qualified organization exempt from federal and state tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state codes. Therefore, no provision for federal or state income tax is reflected in the financial statements. However, to the extent the Foundation carries out investment activities that are subject to the unrelated business income tax, it is subject to income taxation at ordinary corporate rates.

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. As of December 31, 2014 management evaluated the Foundation’s tax positions and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

q. Recent Accounting Pronouncements

Adopted

In October 2012, the Financial Accounting Standards Board (FASB) issued guidance which requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The Foundation has implemented this update as of December 31, 2014.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The amendments in this Update apply to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) as a practical expedient. Under Topic 820, a reporting entity is permitted, as a practical expedient, to estimate the fair value of certain investments using those investments' NAV per share. Prior to ASU 2015-07, these investments were categorized in the fair value hierarchy based on whether the investment was redeemable with the investee at net asset value on measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. These criteria were different from the criteria used for all other investments. All other investments are categorized based on inputs to the fair value.

To alleviate inconsistencies in the categorization of investments within the hierarchy, ASU 2015-07 removes the requirement to categorize all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also clarify that certain disclosure requirements are limited to investments for which the entity has elected to measure fair value using that practical expedient, and not all investments eligible to be measured at fair value using the practical expedient. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2016, for non-public entities, however early application is permitted. The Foundation early adopted ASU 2015-07, an amendment to ASC Topic 820, as of December 31, 2014.

Pronouncements effective in the future

In April 2013, the FASB issued guidance which requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either *(a)* the cost recognized by the affiliate for the personnel providing that service or *(b)* the fair value of that service. This guidance is effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. The Foundation is currently evaluating the impact of this pronouncement on its financial statements.

r. <u>Subsequent Events</u>

The Foundation has evaluated subsequent events from December 31, 2014 through September 29, 2015, the date that the financial statements were available to be issued, and did not note any events that would require adjustment to or disclosure in these financial statements, except as disclosed in Note 10.

Note 3 - Portfolio Investments:

At December 31, 2014, portfolio investments are recorded at fair value. The estimated fair values of the Foundation's portfolio investments are as follows:

Exchange-traded funds / Mutual funds	$ 217,925,073
Real estate property	3,784,717
Alternative investments	150,860,834
Total	$ 372,570,624

The following schedule summarizes the investment returns:

Net realized gains	$ 32,032,730
Net unrealized losses	(14,337,871)
Net realized and unrealized gains	17,694,859
Dividend income	4,996,765
Interest income	97,042
Rental and other income	16,118
Total	22,804,784
Less: investment related expenses	(1,329,571)
Net investment returns	$ 21,475,213

Note 4 - Program and Mission Related Investments, net:

At December 31, 2014, program and mission related investments are comprised of the following:

Private equity investments	$ 2,839,828
Venture capital and private equity funds	412,246
Program and mission related loans, net of discount	4,837,354
Real estate property	2,700,000
Total	$ 10,789,428

At December 31, 2014, the Foundation had seven mission related investments, including one loan, totaling approximately $3,752,000 and thirteen program related loans totaling approximately $4,400,500. Interest is calculated on the outstanding loan amounts at an annual interest rate ranging from 0.25% to 2.5%. Interest may be due quarterly, annually or due at maturity with the principal. The loans are discounted at rates valid for the year the note was made. For the year ended December 31, 2014, a present value discount of $63,153 was recorded in program services - direct charitable expense in the Consolidated Statement of Activity and Changes in Net Assets. The Foundation’s program and mission related investments further the charitable mission of the Foundation by providing funding, through loans and equity investments, for innovative solutions focusing in the fields of climate change, human rights and ecological agriculture.

Loans are uncollateralized and are expected to be repaid between 2015 and 2023. At December, 31, 2014, included in program related investments are two related party loans receivable totaling $2,000,002. Management reviewed the collectability of the program-related investments, including related party loans, and determined no impairment is required to be recorded as of December 31, 2014. Certain loans contain equity conversion features.

The Foundation, as part of its program-related investment program, can provide loan guarantees through conditional grants. Conditional grants were made to a 501(c)(3) non-profit organization making the loans and the grants expired, in 2014 and 2015, respectively, without loan defaults.

In a prior year, one of the program related loans was impaired by $1,599,998. In January 2014, the Foundation agreed to formally forgive the principal of the loan in the form of a conditional matching grant as the related entity raises funds. As of December 31, 2014, $221,573 has been forgiven under this agreement.

Note 5 - Fair Value Measurements:

The accounting standard over fair value measurements established a framework for measuring fair value, and expands disclosures about fair value measurements. The standard prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

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 or liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment.

An investment's categorization within the valuation hierarchy is based upon the lowest level input that is significant to the fair value measurement.

The table below presents assets at December 31, 2014 measured at fair value on a recurring basis:

	Level 1	Level 3	(a) NAV	Total
Portfolio investments:				
Exchange-traded funds /Mutual funds:				
International equity	$151,115,384			$ 151,115,384
Intermediate-term bond funds	57,974,590			57,974,590
Inflation protected bond funds	4,257,801			4,257,801
Real estate	4,577,298			4,577,298
Real estate property		$ 3,784,717		3,784,717
Alternative investments:				
Hedge funds			$ 60,724,448	60,724,448
Venture capital and private equity funds			24,106,108	24,106,108
Real estate funds			28,120,627	28,120,627
Fund of funds – private equity			17,177,570	17,177,570
Fund of funds – hedge fund			20,732,081	20,732,081
Total Portfolio Investments	217,925,073	3,784,717	150,860,834	372,570,624
Program and mission related investments:				
Private equity investments		2,839,828		2,839,828
Venture capital and private equity funds			412,246	412,246
Program and mission related loans		4,837,354		4,837,354
Real estate property		2,700,000		2,700,000
Total Program and Mission Related Investments	10,377,182		412,246	10,789,428
Total	$ 217,925,073	$14,161,899	$151,273,080	$ 383,360,052

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statement of Financial Position.

The following table presents the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2014:

	Real Estate Property	Program and Mission Related Loans	Private Equity Investments	Total
Beginning balance	$ 7,657,024	$ 3,852,322	$ 1,024,432	$ 12,533,778
Purchases of investments			666,000	666,000
Purchases of investments through note receivables		2,401,007		2,401,007
Collection on note receivables		(152,822)		(152,822)
Conversion of investment loans to equity investment		(1,200,000)	1,200,000	-
Program related investment loan discount		(63,153)		(63,153)
Realized losses			(372,270)	(372,270)
Unrealized (losses)/gains	(1,172,307)		321,666	(850,641)
Ending balance	$ 6,484,717	$ 4,837,354	$ 2,839,828	$ 14,161,899

Net Asset Value (NAV) Per Share

The Foundation's alternative investments consist of funds for which fair value is not readily determinable and whose fair value is estimated using the net asset value per share or its equivalent.

The following table sets forth a summary of the Foundation's investments by major category reported at NAV as of December 31, 2014:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Alternative Investments:				
Hedge funds (a)	$ 60,724,448	$ -	Quarterly – Annually	30-90 days
Venture capital and private equity funds (b)	24,106,108	3,930,782	None	N/A
Real estate funds (c)	28,120,627	542,977	None	N/A
Fund of funds – private equity (d)	17,177,570	3,450,000	None	N/A
Fund of funds – hedge fund (e)	20,732,081	-	Quarterly – Annually	45 days to 1 yr
Program and Mission Related Investments:				
Venture capital and private equity funds (f)	412,246	2,760,219	None	N/A
Total	$151,273,080	$10,683,978		

(a) This category contains eight (8) investments in funds that hold long and short positions in global public and private equity securities, debt securities, derivatives, and other assets.

(b) This category includes six (6) private equity funds that focus on global venture capital and private equity investments, including distressed credit and real estate. The estimated term for these investments is 7 to 17 years.

(c) This category contains seven (7) investments in funds and direct investments that hold real estate, real estate-related and natural resources investments and loan participation agreements. As of December 31, 2014, approximately 33% of the values of the investments in this category have estimated terms of 6 to 9 years. The remaining investments in this category have no set term.

(d) This category contains two (2) investments in funds that hold a combination of global direct and fund investments in both traditional and alternative assets. The estimated term for these investments is 10 to 12 years.

(e) This category contains two (2) investments in funds that invest in global venture capital and growth equity funds.

(f) This category contains two (2) mission related investments that focus on investments supporting climate change and human rights solutions. The estimated term for these investments is 10 to 12 years.

Note 6 - Property and Equipment, Net:

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

Leasehold improvements	$	1,091,723
Furniture and equipment		727,282
Total property and equipment		1,819,005
Less: accumulated depreciation		(584,497)
Property and equipment, net	$	1,234,508

Depreciation expense for the year ended December 31, 2014 was $409,817.

Note 7 - Grants Payable:

Grants payable as of December 31, 2014 are expected to be paid as follows:

Less than one year	$	7,762,567
One to five years		637,500
Less: discount to reflect grants payable at present value		(31,713)
Grants Payable, net	$	8,368,354

Note 8 - Federal Excise Taxes and Distribution Requirements:

Distribution Requirements

The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, it must distribute within one year after the end of each fiscal year 5% of the fair value of its investment assets, as defined. The investments includable for the 5% distribution requirement are based on average monthly balances and are exclusive of those investments deemed to be held for charitable activities such as program related investments. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions. For the year ended December 31, 2014, the Foundation has complied with the distribution requirements.

Federal Excise and Income Taxes

In accordance with the applicable provisions of the Internal Revenue Code, the Foundation is a private foundation and qualifies as a tax exempt organization. Private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the Internal Revenue Code are met) on net investment income, excluding unrealized gains, as defined.

Deferred taxes arise due to temporary differences between reported amounts of investments and their tax basis. Deferred taxes also arise from the difference between the cash basis used for tax purposes and the accrual basis used for financial statement purposes for investment activities. Deferred federal excise taxes on unrealized depreciation or appreciation is calculated using the 2% tax rate since the qualification for the 1% tax is not determinable until the year in which losses or gains are realized.

Deferred federal excise tax liability at December 31, 2014 was $825,000 and is included in accounts payable and other liabilities in the accompanying Consolidated Statement of Financial Position.

In addition, income from certain investments is subject to unrelated business income tax. At December 31, 2014, the expense provision for excise and income taxes consists of the following:

Excise tax:	
Current expense	$ 1,465,903
Deferred expense (benefit)	(1,431,000)
Unrelated business income tax	183,003
Total excise and income taxes	$ 217,906

Note 9 - Management and General Expenses:

At December 31, 2014, management and general expenses consisted of the following:

Payroll expenses	$ 191,438
Professional fees	70,193
Office rent	60,444
Office and equipment depreciation	409,817
Other	112,174
Total management and general expenses	$ 844,066

Note 10 - Commitments:

The Foundation has entered into operating lease agreements in California, Massachusetts and Rhode Island to lease certain of its facilities. Rent expense for the Foundation under these agreements for the year ended December 31, 2014 was $637,632.

Future minimum annual lease payments required under these agreements are as follows:

Year ended December 31,	Amount
2015	$ 934,400
2016	669,900
2017	393,100
2018	44,000
Total	$ 2,041,400

Subsequent to year end, in 2015, the Foundation renegotiated and extended an existing lease, expiring in 2016, for an approximate average monthly rate of $31,000 over the extension term.

Note 11 - Related Party Transactions

Donated services and facilities, for program purposes, valued at approximately $703,200, were received from the Founders and their related entities in 2014.

In 2014, the Foundation subleased private office spaces within their leased property to two related party entities. One subtenant is a 501(c)(3) tax-exempt organization and the other is a for-profit entity. The sublease to the tax-exempt organization is cancellable with a 30-day notice period and is approximately $24,000 per month paid directly to the landlord. The sublease to the for-profit entity was temporary and they have vacated the premises by year end. Rent was approximately $24,000 per month paid directly to the landlord. Rental income received from the for-profit entity was approximately $6,400.

The Foundation has an agreement for professional services with an organization where one of the members of the Foundation's Board of Directors has an ownership interest. For the year ended December 31, 2014, the Foundation incurred expenses to this related organization of approximately $902,000, for investment services, of which $280,000 is included in accounts payable at December 31, 2014.

Various professional services consisting of organizational accounting, administrative services and 401(k) plan management have been provided to and from related parties. The approximate value of these services was deemed immaterial, therefore no contributed professional services have been recorded for the year ended December 31, 2014.

In 2014, the Foundation awarded grants totaling $2,025,000 to various related party organizations, where one of the Foundation's board members is a board member. At December 31, 2014, there were no grants payable to related party organizations.

The Foundation has program-related investment loans outstanding to two related party organizations, where one of the Foundation's board members is a board member of both organizations. As discussed in Note 2, based on financial condition and other economic factors, one of the loans is carried at a nominal value. In 2014, the Foundation agreed to formally forgive the principal of the loan in the form of a conditional matching grant as the related entity raises funds. As of December 31, 2014, $221,573 has been forgiven.

Note 12 - Retirement Plan:

The Foundation has a 401(k) Plan through participation in a related entity's Retirement Savings Plan, as discussed in Note 11, to provide retirement benefits for its employees. The Foundation matches employee contributions up to $12,500 per year per employee. The Foundation's contribution was approximately $148,000 for the year ended December 31, 2014.