

THE SOBRATO FAMILY FOUNDATION

DECEMBER 31, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

The Sobrato Family Foundation

Independent Auditors' Report and Financial Statements

Independent Auditors' Report 1 - 2

Financial Statements:

Statement of Financial Position 3

Statement of Activities and Changes in Net Assets 4

Statement of Functional Expenses 5 - 6

Statement of Cash Flows 7

Notes to Financial Statements 8 - 20



A Century Strong

Independent Auditors' Report

THE BOARD OF TRUSTEES
THE SOBRATO FAMILY FOUNDATION
Mountain View, California

Report on the Financial Statements

We have audited the accompanying financial statements of **THE SOBRATO FAMILY FOUNDATION** which comprise the statement of financial position as of December 31, 2020 and 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sobrato Family Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Jose, California
May 17, 2021

The Sobrato Family Foundation

Statement of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 42,340,824	\$ 12,228,557
Investments	538,871,605	265,024,907
Property held for sale	4,935,801	276,133,750
Program and mission related investments, net	24,772,132	25,881,835
Property and equipment, net		19,923,888
Other assets	1,708,747	445,457
Total assets	\$ 612,629,109	\$ 599,638,394
Liabilities and Net Assets		
Liabilities:		
Grants payable, unconditional	\$ 8,953,260	\$ 6,767,718
Future in-kind rent obligations		5,931,520
Other liabilities	2,557,027	1,859,269
Total liabilities	11,510,287	14,558,507
Net Assets Without Donor Restrictions	601,118,822	585,079,887
Total net assets	601,118,822	585,079,887
Total liabilities and net assets	\$ 612,629,109	\$ 599,638,394

See accompanying notes to financial statements.

The Sobrato Family Foundation

Statement of Activities and Changes in Net Assets

<i>Years Ended December 31,</i>	2020	2019
Investment activity, contributions and other revenues:		
Investment income, net	\$ 116,255,270	\$ 55,288,229
Contributions		275,875,000
Gain on sale of donated land	38,123,571	
Contributed services	1,719,743	1,471,831
Program related fees	541,084	2,213,568
In-kind rental income		4,193,865
Investment income, program and mission related investments, net	716,757	1,037,973
Other (loss) income	(2,241,299)	2,642,849
Total investment activity and other support	155,115,126	342,723,315
Program expenses:		
Essential human services	13,758,434	5,235,608
Economic opportunity	7,273,765	3,320,833
English learner initiative	13,900,519	9,993,746
Nonprofit and program support	64,259,954	3,892,904
Family initiatives and new opportunities	33,979,653	26,413,510
Total program expenses	133,172,325	48,856,601
Management and general	5,903,866	3,996,233
Total expenses	139,076,191	52,852,834
Change in net assets	16,038,935	289,870,481
Net Assets Without Donor Restrictions, beginning of year	585,079,887	295,209,406
Net Assets Without Donor Restrictions, ending of year	\$ 601,118,822	\$ 585,079,887

See accompanying notes to financial statements.

The Sobrato Family Foundation

Statement of Functional Expenses

Year Ended December 31, 2020

	Programs						Management and General	Total
	Essential Human Services	Economic Opportunity	English Learner Initiative	Nonprofit and Program Support	Family Initiatives and New Opportunities	Total Program		
Grants	\$ 13,496,750	\$ 6,957,500	\$ 12,600,000	\$ 63,647,592	\$ 33,504,400	\$ 130,206,242		\$ 130,206,242
Salary, benefits and payroll taxes	259,999	204,757	445,398	114,899	90,689	1,115,742	\$ 1,581,121	2,696,863
Outside services		110,880	834,590	443,752	89,601	1,478,823	1,036,390	2,515,213
Facilities	475		2,146	950	8,475	12,046	845,714	857,760
In-kind services							2,242,259	2,242,259
Depreciation				47,459		47,459		47,459
Other expenses	1,210	628	18,385	5,302	286,488	312,013	198,382	510,395
	\$ 13,758,434	\$ 7,273,765	\$ 13,900,519	\$ 64,259,954	\$ 33,979,653	\$ 133,172,325	\$ 5,903,866	\$ 139,076,191

See accompanying notes to financial statements.

The Sobrato Family Foundation

Statement of Functional Expenses

Year Ended December 31, 2019

	Programs							Total
	Essential Human Services	Economic Opportunity	English Learner Initiative	Nonprofit and Program Support	Family Initiatives and New Opportunities	Total Program	Management and General	
Grants	\$ 5,033,800	\$ 3,115,000	\$ 5,417,000	\$ 1,693,082	\$ 25,337,500	\$ 40,596,382		\$ 40,596,382
Salary, benefits and payroll taxes	164,607	205,173	2,616,624	195,363	255,356	3,437,123	\$ 1,234,517	4,671,640
Outside services	30,000		1,542,048	461,608	744,554	2,778,210	2,252,143	5,030,353
Facilities	121		127,338	995,705	95	1,123,259	138,692	1,261,951
In-kind services				70,424		70,424		70,424
Advertising and marketing						-	126,000	126,000
Depreciation			2,299	466,804		469,103		469,103
Other expenses	7,080	660	288,437	9,918	76,005	382,100	244,881	626,981
	\$ 5,235,608	\$ 3,320,833	\$ 9,993,746	\$ 3,892,904	\$ 26,413,510	\$ 48,856,601	\$ 3,996,233	\$ 52,852,834

See accompanying notes to financial statements.

The Sobrato Family Foundation

Statement of Cash Flows

<i>Years Ended December 31,</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 16,038,935	\$ 289,870,481
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	47,459	469,103
Net realized and unrealized gains on investments	(111,957,157)	(51,106,438)
Gain on sale of donated land	(38,123,571)	
Contribution of property held for sale		(275,875,000)
Net realized and unrealized loss (gain) in connection with property held for sale	7,079,179	(258,750)
Loss on sale of property and equipment		3,372
Donation of property and equipment	19,876,429	
Changes in operating assets and liabilities:		
Interest and dividend receivable		275,203
Property held for sale	302,242,341	
Program and mission related investments, net	1,109,703	(4,569,602)
Other assets	(1,263,290)	397,054
Grants payable, unconditional	2,185,542	(1,785,932)
Future in-kind rent obligations	(5,931,520)	(2,730,782)
Other liabilities	697,758	(23,974)
Net cash provided (used) by operating activities	192,001,808	(45,335,265)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	71,284,954	77,507,777
Acquisition of investments	(233,174,495)	(33,094,819)
Net cash (used) provided by investing activities	(161,889,541)	44,412,958
Net Change in Cash and Cash Equivalents	30,112,267	(922,307)
Cash and Cash Equivalents, beginning of the year	12,228,557	13,150,864
Cash and Cash Equivalents, end of year	\$ 42,340,824	\$ 12,228,557
Supplementary Disclosure of Cash Flows Information:		
Cash paid during the year for excise taxes	\$ -	\$ 240,000

See accompanying notes to financial statements.

The Sobrato Family Foundation

Notes to Financial Statements

Note 1 - Organization:

The Sobrato Family Foundation (the “Foundation”) is a private foundation established by the Sobrato family and incorporated in California on January 27, 1993, as a nonprofit public benefit corporation.

The Foundation invests primarily in organizations serving those most in need in the ten Bay Area counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma, and Santa Cruz, as well as in areas of interest to Sobrato family members.

The Foundation provides strategic and responsive grants, program related investments, multi-year general operating support grants, and in-kind office and meeting space for Bay Area nonprofits. It also supports special initiatives that align with its mission, such as the Sobrato Early Academic Language (“SEAL”) program.

The Foundation’s five active programs are:

1. Essential Human Services – Focused on providing flexible support for Silicon Valley-based nonprofits that address basic needs, promote self-reliance and economic independence, and positively contribute to the quality of life for those in our region facing deep challenges, including responsive funding to support those affected by regional disasters such as wildfires.
2. Economic Opportunity – Focused on expanding access to small business and entrepreneurship opportunities, middle-skill jobs, college completion, and career potential to increase economic mobility for low-income individuals, first generation college students, and families so they can actively participate in and contribute to a vibrant Silicon Valley across multiple generations.
3. English Learner Initiative – Focused on improving educational outcomes for low-income and English Learner students currently in persistently underperforming schools, enabling students of all backgrounds to pursue higher academic achievement as a means to economic self-sufficiency.
4. Nonprofit and Program Support – Focused on increasing the effectiveness, scalability, and systemic impact of our nonprofit partners, and supporting the development of high-quality nonprofit leaders and includes activities that support all of the program areas.
5. Family Initiatives and New Opportunities – Focused on individual and collaborative investments in areas of interest to family members as well as new areas of collective grantmaking that have not been established as formal programs.

The Sobrato Family Foundation

Notes to Financial Statements

On July 1, 2019, the SEAL program became an independent nonprofit organization and continues to transform educational systems by providing professional development, curriculum support, and technical assistance for educators. During the first six months of 2019, the Foundation incurred approximately \$3,600,000 in expenses and generated approximately \$1,480,000 of revenue related to the SEAL Program. At the time of the transition, the Foundation became SEAL's fiscal sponsor for the California Department of Education pre-kindergarten program grant and continues to support SEAL as a grantee under its English Learner Initiative program.

On January 2, 2020, the Foundation gifted to The Sobrato Foundation, a related party and supporting organization at the Silicon Valley Community Foundation, the Sobrato Center for Nonprofits facility in Redwood City, California that provides office and meeting space for nonprofit organizations. This donation was valued at \$58,000,000 and also included The Sobrato Foundation assumption of lease agreements with the tenants of the Sobrato Center. The Foundation also provides support to The Sobrato Foundation, to support the operations of two similar nonprofit center facilities in Milpitas and San Jose, California, and a new center in Palo Alto, California that is expected to open in the late Spring of 2021.

For more details on grants awarded, visit www.Sobrato.org.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP),

b. Description of Net Assets

The Foundation reports its financial position and operating activities in two classes of net assets:

- *Net Assets Without Donor Restrictions* - the portion of net assets that is not restricted by donor-imposed stipulations. These net assets are intended for the use of the Foundation by its management and Board of Trustees.
- *Net Assets With Donor Restrictions* - the portion of net assets for which use is limited by donor-imposed stipulations. The Foundation's net assets with donor restrictions are temporary in nature that either expire by passage of time or can be fulfilled and removed by actions of the Foundation. As of December 31, 2020 and 2019, the Foundation did not have any net assets with donor restrictions.

The Sobrato Family Foundation

Notes to Financial Statements

c. Cash and Cash Equivalents

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

d. Investments and Related Income

Investments consist primarily of marketable securities and private equity funds. The Foundation maintains an investment policy that is approved by the Board of Trustees. The investment policy establishes procedures for the selection, approval and monitoring of investments as well as concentration limits and asset allocation targets for portfolio holdings. Foundation investments are diversified across multiple asset classes and investment approaches to generate returns and mitigate risks, using liquid and illiquid investment vehicles. Marketable securities include domestic and international equities and are invested in all major regions and industry sectors. Private equity fund investments are invested in a range of private equity asset classes and primarily in U.S.-based funds.

Investments are stated at their fair value based on quoted market prices, except for alternative investments. For those investments that are not publicly traded, their value is recorded at net asset value (NAV) per percentage ownership as determined by individual investment managers and as reported by the Foundation's investment advisors. The year-end investment advisor's reporting is typically one quarter in arrears; however, the Foundation makes adjustments for known material transactions which have occurred subsequent to the investment advisor's report. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been recorded had an active market existed for those investments.

Realized and unrealized gains or losses are included in the statement of activities and changes in net assets in the period the gains or losses occur. Dividend and interest income is accrued when earned.

e. Fair Value Measurements

The Foundation classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs (as described below). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Sobrato Family Foundation

Notes to Financial Statements

Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

The Foundation reports certain investments using the NAV per share method under a practical expedient which allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

f. Property Held for Sale

Property held for sale represents land and buildings donated to the Foundation, which the Foundation intends to sell in the short term. Property is recorded at fair value as determined by independent appraisals.

g. Program and Mission Related Investments

Program and mission related investments are recorded at fair value. Additionally, the Foundation records a contribution expense for the difference between the stated interest rate on the notes and an estimated market rate, discounted between 3.75% and 5.5%. This difference is amortized over the term of the notes.

h. Property and Equipment

Property and equipment purchased by the Foundation are stated at cost. Acquisitions of property and equipment equal to or in excess of \$25,000 are capitalized. Significant donated property and equipment are recorded at its estimated fair value, generally based on independent appraisals. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, donations of property and equipment are recorded as contributions without donor restrictions.

Depreciation is computed using a combination of the straight-line method and the modified accelerated cost recovery system over the estimated useful lives of the assets ranging from five to thirty-nine years.

The Sobrato Family Foundation

Notes to Financial Statements

i. Grants Payable

Unconditional grants are recorded when approved. Conditional grants are not recorded until the performance barriers are substantially met. Unconditional multi-year grants are recorded at their net present value using a discount rate appropriate for the year the grant was approved if material to the financial statements. Grant amendments, including cancellations, are recorded as increases or decreases of grant expense in the year of the amendment.

j. Future In-Kind Rent Obligations

In 2013, the Foundation purchased the Sobrato Center for Nonprofits facility (the Center) located in Redwood Shores, California. The lease agreements with non-profit tenants contain rental rates that are substantially below market in order to assist the nonprofit organizations. The rent concessions are considered future grants to the tenants and have been recorded as future in-kind rent obligations on the statement of financial position and as in-kind rental expense on the statement of activities and changes in net assets. The liability is amortized as in-kind rental income annually on the statement of activities and changes in net assets. The fair values have been discounted to net present value. As mentioned in Note 1, in 2020, the Center was donated to and the existing leases were assumed by a related party.

k. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases to net assets without donor restrictions if the restrictions are met in the year the contribution is recognized. Contributions that are restricted by the donor and the restrictions have not been met during the year in which the contribution is recognized, are recorded as increases in net assets with donor restrictions and, when the restriction is met, then reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets as net assets released from restrictions.

Significant donated assets are recorded at their estimated fair value at the date of receipt.

Contributed services, which require a specialized skill and which the Foundation would have paid for if not contributed, are recorded at their estimated fair market value. All such in-kind contributions received during 2020 and 2019 are from related parties.

Program fees are recognized in the period the services are provided.

l. Functional Expense Allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Payroll related expenses are allocated based on the estimated time spent by each employee. All other expenses are charged directly to the program or supporting service.

The Sobrato Family Foundation

Notes to Financial Statements

m. Income Taxes

The Foundation is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701(d) of the California Revenue and Taxation Code, respectively. The Foundation is classified as a private foundation and is subject to excise tax on its net investment income and may be subject to tax on unrelated business income, if any, generated by its investments. Deferred taxes on unrealized gains are recorded when material.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status and had not taken any uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

n. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

o. Reclassifications

Certain reclassifications have been made to the 2019 financial statements in order to conform to the 2020 presentation. These reclassifications had no impact on net assets or change in net assets.

p. Recent Accounting Pronouncements

Accounting pronouncement adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The guidance clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. The Foundation adopted the ASU for contributions received beginning January 1, 2019 and for contributions made beginning January 1, 2020, in accordance with the ASU's adoption provisions. The ASU did not have a material effect on the Foundation's financial statements.

The Sobrato Family Foundation

Notes to Financial Statements

q. Subsequent Events

The Foundation evaluated subsequent events from December 31, 2020 through May 17, 2021, the date these financial statements were available to be issued. Except for the ongoing impact of the pandemic discussed in Note 14, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - Liquid Assets:

The Foundation's financial assets at December 31, 2020 and 2019 that are available to meet general expenditures over the next twelve months are as follows:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 42,340,824	\$ 12,228,557
Investments	538,871,605	265,024,907
Program and mission related investments, net	24,772,132	25,881,835
Total financial assets	605,984,561	303,135,299
Less amounts not available to be used within one year:		
Program and mission related investments, net	(24,572,132)	(18,469,346)
Private equity funds, included in investments	(37,185,438)	(39,433,649)
Financial assets available to meet general expenditures over the next twelve months	\$ 544,226,991	\$ 245,232,304

The Foundation's goal is to maintain financial assets to meet all grant and operating needs. As financial obligations become due, investments are liquidated.

The Sobrato Family Foundation

Notes to Financial Statements

Note 4 - Investments:

Investments consist of the following as of December 31:

	2020	2019
Marketable securities - level 1 input	\$ 489,421,207	\$ 214,393,844
Private equity - net asset value (a)	37,185,438	39,433,649
Hedge fund - net asset value (b)	12,264,960	11,197,414
<u>Total alternative investments</u>	<u>49,450,398</u>	<u>50,631,063</u>
<u>Total investments</u>	<u>\$ 538,871,605</u>	<u>\$ 265,024,907</u>

- a) This category includes private equity funds that focus on buyout, growth equity and/or distressed debt. There were thirty-four individual funds in 2020 and 2019. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. These investments have estimated remaining lives of between two and twelve years.
- b) This is an investment in a hedge fund that invests in both long and short positions primarily in U.S. common stocks and credit instruments. Management of the hedge fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The Fund has passed its initial lock up period.

Investment income consists of the following for the years ended December 31:

	2020	2019
Realized gains (losses), net	\$ 1,874,051	\$ (347,612)
Unrealized gain, net	110,957,491	51,449,492
Dividend income	7,830,686	5,776,171
Management fees	(520,407)	(902,161)
Excise and other tax expense	(3,886,551)	(687,661)
<u>Total investment income, net</u>	<u>\$ 116,255,270</u>	<u>\$ 55,288,229</u>

The Sobrato Family Foundation

Notes to Financial Statements

The following table provides additional information related to investments valued using NAV as of December 31:

2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	\$ 37,185,438	\$ 8,179,767	N/A	N/A
Hedge fund	12,264,960		Quarterly	60 Days
	\$ 49,450,398	\$ 8,179,767		

2019	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	\$ 39,433,649	\$ 8,829,512	N/A	N/A
Hedge fund	11,197,414	249,063	Quarterly	60 Days
	\$ 50,631,063	\$ 9,078,575		

Note 5 - Property Held for Sale:

Property held for sale consists of three properties that were donated to the Foundation by related parties during 2019 and for which the intent was to sell the property in the short term. The appraised value of the properties at the time of the donations were \$275,875,000. In January 2020 and February 2020, two of the properties were sold for a total of \$292,975,000. Total costs associated with the sale of the two properties were \$24,179,179, inclusive of rent credits offered to the buyer in the amount of roughly \$22,000,000. The remaining property is currently available for sale and on the market for approximately \$4,900,000.

Note 6 - Program and Mission Related Investments:

The Foundation makes program related investments (PRIs) and mission related investments (MRIs) to organizations and projects that further its mission and impact in the community. The Foundation's PRIs expand the amount of charitable activities the Foundation can support. Currently, the Foundation's PRI and MRI programs are focused on encouraging the development of permanent supportive housing, the expansion of charter schools into underserved communities, the development of education technology, and other capital projects aligned with its education and economic opportunity mission through the provision of low-interest loans or equity investments.

The Sobrato Family Foundation

Notes to Financial Statements

Program and mission related investments consist of the following at December 31:

	2020	2019
Loans, net	\$ 21,547,366	\$ 23,526,653
Equity	3,224,766	2,355,182
	<u>\$ 24,772,132</u>	<u>\$ 25,881,835</u>

There were eight loans outstanding at December 31, 2020 and 2019.

Repayment of the loans outstanding at December 31, 2020, is expected to be as follows:

2021	\$ 200,000
2022	4,206,532
2023	4,956,863
2024	4,985,508
2025	597,311
Thereafter	8,898,765
Subtotal	23,844,979
Less unamortized discount for below market rates	(2,297,613)
Total	<u>\$ 21,547,366</u>

As of December 31, 2020, the Foundation has an unfunded capital commitment for four equity investments of \$13,392,500.

Note 7 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2020	2019
Land		\$ 5,625,537
Building		17,266,881
Interior		446,566
Furniture and fixtures	\$ 14,522	91,738
Equipment		611,775
		24,042,497
Less: accumulated depreciation	(14,522)	(4,118,609)
Property and equipment, net	<u>\$ -</u>	<u>\$ 19,923,888</u>

The Sobrato Family Foundation

Notes to Financial Statements

Depreciation expense for the years ended December 31, 2020 and 2019 was \$47,459 and \$469,103, respectively.

As mentioned in Note 1, the Sobrato Center for Nonprofits facility was donated to a related party, which comprised the majority of the Foundation's property and equipment for the year ended December 31, 2019.

Note 8 - Grants Payable:

Unconditional grants payable at December 31, 2020 are expected to be paid as follows:

2021	\$ 8,603,260
2022	350,000
<hr/>	
Total	\$ 8,953,260

Note 9 - Future In-Kind Rent Obligations:

As discussed in Note 2(j), future in-kind rent obligations represent future rent concessions for tenants of the Sobrato Center for Nonprofits facility located in Redwood Shores, California. Also, as discussed in Note 1, the Sobrato Center for Nonprofits was donated to a related party in 2020.

Note 10 - Federal Excise Taxes and Distribution Requirements:

The Foundation is classified as a private foundation and is subject to federal excise tax of 2% of its net investment income for tax purposes. The Foundation is eligible to reduce its tax liability from 2% to 1% of net investment income if a certain level of distribution is attained. In 2019, tax legislation was enacted which changed the tax rate for private foundations to a flat rate of 1.39%, effective January 1, 2020. A provision has been made with an excise tax rate of 1.39% and 1% in 2020 and 2019, respectively.

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 in the Internal Revenue Code. The investments includable for the 5% distribution requirement are based on their average monthly balances and are exclusive of those investments deemed to be held for charitable activities. In determining qualifying distributions, grant payments are considered on a cash basis as well as certain other expenses. The Foundation believes that it has complied in all material respects with the distribution requirements through December 31, 2020.

The Sobrato Family Foundation

Notes to Financial Statements

Note 11 - Retirement Plan:

The Foundation has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code (the Plan). The Plan is funded by the Foundation and maintained by an independent trustee. Employees are considered eligible for contributions on the first of the month after hire date. The vesting period is two years and the Foundation matches up to 10% of the employee's compensation, up to a cap of \$12,000.

The Foundation contributes to the Plan for all eligible employees, as defined, on a monthly basis. Employer contributions related to the Plan were \$163,178 and \$286,287, for the years ended December 31, 2020 and 2019, respectively.

Note 12 - Related Party Transactions:

During 2020 and 2019, the Foundation made unconditional grants to related organizations, where members of the Foundation's Board of Trustees are also Board members of the grantee organizations. Grants paid to related organizations for the years ended December 31, 2020 and 2019 were approximately \$1,632,400 and \$24,859,000, respectively. Additionally, in 2020, property valued at \$58,000,000 was donated to a related organization (See also Note 1 and 7). For the years ending December 31, 2020 and 2019, 73% and 56%, respectively, of total grant expense was granted to Silicon Valley Community Foundation, the parent entity of The Sobrato Foundation, a related party. Related Board members recused themselves from the Foundation's Board discussion and vote on such grants.

Foundation program personnel contribute services to The Sobrato Foundation, a related party, where a Foundation Director also serves as a member of The Sobrato Foundation Board. The value of these granted services was approximately \$532,000 and \$326,000 for the years ended December 31, 2020 and 2019, respectively. In conjunction with the contributed services, the Foundation employees perform these services from the Foundation's office. The value of the contributed facilities was not material to the financial statements for the years ended December 31, 2020 and 2019.

For the years ending December 31, 2020 and 2019, the Foundation received contributed in-kind administrative services and rent from a related party in the amount of \$1,719,743 and \$1,471,831, respectively.

The Sobrato Family Foundation

Notes to Financial Statements

Note 13 - Concentrations of Credit Risk:

Financial instruments, which potentially subject the Foundation to credit risk, consist primarily of cash and cash equivalents, investments, and program 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. At times, such amounts might exceed Federal Deposit Insurance Corporation limits. The Foundation's investments have been placed with high quality financial institutions. The Foundation monitors these investments in accordance with its investment policy.

The credit risk in program and mission related investments is mitigated by the fact that the loans are made to local organizations and are evaluated by the Foundation based on its knowledge of the organizations. The Foundation does not believe that it is exposed to any significant credit risks.

Note 14 - Impact of the Pandemic:

In March 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses and organizations.

In response to COVID-19, in 2020, the Foundation shifted resources and provided rapid relief grants to those organizations most in need as well as abatement of common area maintenance charges for tenants at its non-profit centers.

The Foundation also monitors investment markets and conditions and has established strategies to respond accordingly to expected increased market volatility.