



*Report of Independent Auditors and  
Financial Statements*

**Philanthropic Ventures Foundation**

*December 31, 2017 and 2016*



# Table of Contents

---

**REPORT OF INDEPENDENT AUDITORS** .....1

**FINANCIAL STATEMENTS**

Statements of Financial Position.....4

Statements of Activities .....5

Statements of Functional Expenses .....6

Statements of Cash Flows .....7

Notes to Financial Statements .....8

## **Report of Independent Auditors**

To the Board of Directors  
Philanthropic Ventures Foundation

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of Philanthropic Ventures Foundation (the “Foundation”) as of December 31, 2017 and 2016, and the related statements of activities, 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.

#### ***Auditor’s 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 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 Foundation’s preparation and fair presentation of the financial statements in order to design auditor 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 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 Philanthropic Ventures Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

San Francisco, California  
September 20, 2018

## **Financial Statements**

---

**Philanthropic Ventures Foundation**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,334,820	\$ 11,463,628
Pledge receivable	51,028	-
Investments	15,241,770	10,615,405
Deposits	<u>3,510</u>	<u>3,510</u>
Total assets	<u>\$ 21,631,128</u>	<u>\$ 22,082,543</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 33,555	\$ 25,144
Grants payable	<u>538,827</u>	<u>19,870</u>
Total liabilities	<u>572,382</u>	<u>45,014</u>
<b>NET ASSETS</b>		
Unrestricted net assets		
Donor advised	12,127,453	14,288,328
Undesignated	<u>3,384,660</u>	<u>2,746,340</u>
Total unrestricted net assets	15,512,113	17,034,668
Temporarily restricted net assets	896,633	352,861
Permanently restricted net assets	<u>4,650,000</u>	<u>4,650,000</u>
Total net assets	<u>21,058,746</u>	<u>22,037,529</u>
Total liabilities and net assets	<u>\$ 21,631,128</u>	<u>\$ 22,082,543</u>

**Philanthropic Ventures Foundation**  
**Statements of Activities**  
**Years Ended December 31, 2017 and 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>								
Contributions	\$ 8,213,861	\$ 51,028	\$ -	\$ 8,264,889	\$ 10,968,027	\$ 50,000	\$ -	\$ 11,018,027
Grantmaking consultation	978	-	-	978	1,429	-	-	1,429
In-kind contributions	-	-	-	-	150,000	-	-	150,000
Investment income, net	611,027	724,493	-	1,335,520	374,458	285,372	-	659,830
Net assets released from restrictions	231,749	(231,749)	-	-	172,009	(172,009)	-	-
Total support and revenue	<u>9,057,615</u>	<u>543,772</u>	<u>-</u>	<u>9,601,387</u>	<u>11,665,923</u>	<u>163,363</u>	<u>-</u>	<u>11,829,286</u>
<b>GRANTS AWARDED</b>								
Grant awards and allocations	<u>9,738,338</u>	<u>-</u>	<u>-</u>	<u>9,738,338</u>	<u>7,386,047</u>	<u>-</u>	<u>-</u>	<u>7,386,047</u>
Total grants awarded	<u>9,738,338</u>	<u>-</u>	<u>-</u>	<u>9,738,338</u>	<u>7,386,047</u>	<u>-</u>	<u>-</u>	<u>7,386,047</u>
<b>PROGRAM AND SUPPORTING SERVICES</b>								
Program services	538,423	-	-	538,423	560,036	-	-	560,036
Management and general	215,088	-	-	215,088	211,649	-	-	211,649
Development	88,321	-	-	88,321	66,402	-	-	66,402
Total program and supporting services	<u>841,832</u>	<u>-</u>	<u>-</u>	<u>841,832</u>	<u>838,087</u>	<u>-</u>	<u>-</u>	<u>838,087</u>
Total grants, program, and support services	<u>10,580,170</u>	<u>-</u>	<u>-</u>	<u>10,580,170</u>	<u>8,224,134</u>	<u>-</u>	<u>-</u>	<u>8,224,134</u>
<b>CHANGE IN NET ASSETS</b>	(1,522,555)	543,772	-	(978,783)	3,441,789	163,363	-	3,605,152
<b>NET ASSETS</b>								
Beginning of year	<u>17,034,668</u>	<u>352,861</u>	<u>4,650,000</u>	<u>22,037,529</u>	<u>13,592,879</u>	<u>189,498</u>	<u>4,650,000</u>	<u>18,432,377</u>
End of year	<u>\$ 15,512,113</u>	<u>\$ 896,633</u>	<u>\$ 4,650,000</u>	<u>\$ 21,058,746</u>	<u>\$ 17,034,668</u>	<u>\$ 352,861</u>	<u>\$ 4,650,000</u>	<u>\$ 22,037,529</u>

**Philanthropic Ventures Foundation**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2017 and 2016**

	2017			
	Program Services	Management and General	Development	Total
<b>Grant awards and allocations</b>	\$ 9,738,338	\$ -	\$ -	\$ 9,738,338
<b>Personnel expenses</b>				
Salaries	423,666	50,888	68,745	543,299
Payroll taxes	31,382	3,770	5,092	40,244
Employee benefits	31,219	3,749	5,066	40,034
Total personnel expenses	486,267	58,407	78,903	623,577
Professional fees	-	67,654	-	67,654
Investment management fees	-	64,031	-	64,031
Occupancy	27,795	3,339	4,510	35,644
Marketing	-	-	4,269	4,269
Supplies	6,801	6,800	-	13,601
Travel (consulting and other)	11,668	-	-	11,668
Insurance	-	10,795	-	10,795
Postage and shipping	2,473	298	400	3,171
Other expenses	477	1,432	-	1,909
Telephone	1,474	177	239	1,890
Printing and publications	718	2,155	-	2,873
Dues and subscriptions	750	-	-	750
Total program and supporting services	538,423	215,088	88,321	841,832
Total grants, program, and support services	\$ 10,276,761	\$ 215,088	\$ 88,321	\$ 10,580,170
	2016			
	Program Services	Management and General	Development	Total
<b>Grant awards and allocations</b>	\$ 7,386,047	\$ -	\$ -	\$ 7,386,047
<b>Personnel expenses</b>				
Salaries	302,490	36,333	49,082	387,905
Payroll taxes	21,898	2,630	3,553	28,081
Employee benefits	31,823	3,822	5,164	40,809
Total personnel expenses	356,211	42,785	57,799	456,795
Professional fees	150,000	88,952	-	238,952
Investment management fees	-	51,959	-	51,959
Marketing	-	-	3,599	3,599
Occupancy	26,968	3,240	4,376	34,584
Supplies	8,054	8,053	-	16,107
Travel (consulting and other)	13,650	-	-	13,650
Insurance	-	12,265	-	12,265
Postage and shipping	2,417	292	391	3,100
Other expenses	521	1,563	-	2,084
Printing and publications	789	2,368	-	3,157
Telephone	1,426	172	237	1,835
Dues and subscriptions	-	-	-	-
Total program and supporting services	560,036	211,649	66,402	838,087
Total grants, program, and support services	\$ 7,946,083	\$ 211,649	\$ 66,402	\$ 8,224,134



**Philanthropic Ventures Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (978,783)	\$ 3,605,152
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gain on investments	(1,139,413)	(506,296)
Change in operating assets and liabilities		
Pledge receivable	(51,028)	-
Accounts payable and accrued expenses	8,411	2,559
Grants payable	518,957	(35,901)
	<u>(1,641,856)</u>	<u>3,065,514</u>
Net cash (used in) provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	3,215,301	2,407,261
Purchase of investments	(6,702,253)	(1,359,438)
	<u>(3,486,952)</u>	<u>1,047,823</u>
Net cash (used in) provided by investing activities		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(5,128,808)	4,113,337
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>11,463,628</u>	<u>7,350,291</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 6,334,820</u>	<u>\$ 11,463,628</u>

# Philanthropic Ventures Foundation

## Notes to Financial Statements

---

### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** – Philanthropic Ventures Foundation (the “Foundation”) is a nonprofit public benefit corporation organized on January 30, 1991, that engages primarily in grantmaking activities in the San Francisco Bay Area.

**Method of accounting** – The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which require management to make certain estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates.

**Net assets** – Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

**Unrestricted net assets** – Unrestricted net assets include unrestricted contributions, income earned on unrestricted net assets and amounts for which restrictions have expired.

**Temporarily restricted net assets** – Temporarily restricted net assets represent resources restricted by donors for a specific purpose or based on a time restriction and the earnings on permanently restricted endowments. The related investment income, and realized and unrealized gains and losses on endowment funds are maintained in temporarily restricted net assets until appropriated. As of December 31, 2017 and 2016, temporarily restricted net assets represent time restriction and the accumulated earnings on the endowment funds.

**Permanently restricted net assets** – Permanently restricted net assets represent cash and investments that are subject to gift instrument restrictions that require the principal to be invested in perpetuity. For permanently restricted endowments, the related investment income, and realized and unrealized gains or losses are included in temporarily restricted net assets in accordance with the California Uniform Prudent Management of Institutional Funds Act (“CUPMIFA”). Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2017 and 2016, the Foundation had \$4,650,000 in permanently restricted net assets.

**Cash and cash equivalents** – For purposes of the statements of cash flows, cash equivalents include highly liquid debt instruments with a purchased maturity of three months or less. Cash and cash equivalents held in money market funds that are considered nonoperating cash are intended for investment purposes and are classified separately under investments.

**Pledge receivable** – Unconditional promises to give are agreements to contribute cash, stock, or other assets to the Foundation for which no conditions are needed to be satisfied before payment is made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. As of December 31, 2017, the pledge receivable is expected to be paid within a year.

The Foundation uses the allowance method to estimate potential uncollectible receivables. When a pledge is initially recorded, the effect of any uncollectible estimate is reflected in the estimated future cash flow stream. At December 31, 2017, the Foundation deemed all unconditional promises to give fully collectable.

## Philanthropic Ventures Foundation

### Notes to Financial Statements

---

There were no pledges receivable as of December 31, 2016.

**Investments** – Investments are reported at fair value based on quoted market price. Net appreciation (depreciation) in investments, including realized gains or losses and unrealized appreciation or depreciation on those investments, as well as all dividends, interest, and other investment income, is reported in the statements of activities.

Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible changes in the values of investments will occur in the near term and such changes could materially affect total net assets and the amounts reported in the statements of financial position.

**Grants and program expenses** – Grants are made to seed and support not-for-profit organizations and charitable ventures and are recorded when approved by the Board of Directors for payment. In addition, grants are made to charitable organizations as recommended by donors in conjunction with donor advised funds.

The Foundation makes grants to support education and youth in foster care, via immediate response grant programs, such as Arts Resource Grants, Science Resource Grants, and Social Worker Grants. All grants are expected to be paid within one year of the statement of financial position date.

The Foundation had no conditional grants during the years ended December 31, 2017 and 2016.

**Donor advised funds** – The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests. Donor advised funds allow donors to recommend grant recipients, subject to the Foundation's due diligence and approval. Donor advised funds received are considered unrestricted contributions.

**Contributions** – Contributions received, as well as collectible unconditional promises to give, are recognized in the period the contribution is received or when the donor makes an unconditional promise to give. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted revenues, as applicable. Temporarily restricted net assets are reclassified to unrestricted net assets when the donor restrictions are satisfied. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period. Conditional contributions are recognized when the conditions on which they depend are substantially met.

There were no conditional contributions for the years ended December 31, 2017 and 2016.

**Grant-making consultation** – Grant-making consultation revenue is recognized in the period in which the related services are provided.

**In-kind contributions** – The Foundation recognizes in-kind contributed services that creates or enhances nonfinancial assets or that require specialized provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2017 and 2016, the Foundation received \$0 and \$150,000 of in-kind program, management, and development services. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

**Functional allocation of expenses** – Expenses related to programs, including grant awards and allocations, are charged to programs on the basis of estimates of the related benefits made by the Foundation's management.

## Philanthropic Ventures Foundation

### Notes to Financial Statements

---

Development expenses include the necessary costs to encourage and secure financial support from individuals, foundations and corporations.

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. These include functions necessary to maintain an equitable employment program, manage the financial and budgetary responsibilities of the Foundation, and manage other similar functions.

**Recent accounting pronouncements** – In February 2016, the Fair Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption is effective for the Foundation for calendar year ending December 31, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

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* (“ASU 2016-02”), which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity’s liquidity, financial performance, and cash flows. The update replaces the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as adds several additional enhanced disclosures to the notes. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods beginning after December 15, 2018, with application to interim financial statements permitted but not required in the initial year of application. The adoption is effective for the Foundation for the calendar year ending December 31, 2018. Management is currently evaluating the impact of the provisions of ASU 2016-14 on the financial statements.

**Reclassifications** – Certain prior year amounts related to net assets have been reclassified to conform with the current year presentation. These reclassifications have no effect on net assets or changes in net assets.

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Foundation has evaluated all subsequent events through September 20, 2018, the date of this report, and determined there are no material recognized or unrecognized subsequent events.

**Philanthropic Ventures Foundation**  
**Notes to Financial Statements**

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

Financial instruments potentially subjecting the Foundation to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and equity investments in excess of Securities Investor Protection Corporation (“SIPC”) insurance. The Foundation has not experienced any losses in such accounts in the past.

**NOTE 3 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following tables present the Foundation’s assets on the accompanying statements of financial position as of December 31, 2017 and 2016, according to fair value hierarchy:

Description	<b>2017</b>			Total
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and cash equivalents	\$ 613,863	\$ -	\$ -	\$ 613,863
Certificates of deposits	-	6,153,919	-	6,153,919
Domestic bonds	-	228,564	-	228,564
Domestic equity securities	4,156,729	-	-	4,156,729
Mutual funds	4,088,695	-	-	4,088,695
<b>Total</b>	<b>\$ 8,859,287</b>	<b>\$ 6,382,483</b>	<b>\$ -</b>	<b>\$ 15,241,770</b>

  

Description	<b>2016</b>			Total
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and cash equivalents	\$ 648,176	\$ -	\$ -	\$ 648,176
Certificates of deposits	-	2,292,979	-	2,292,979
Domestic bonds	-	\$ 340,715	-	340,715
Domestic equity securities	3,685,078	-	-	3,685,078
Mutual funds	3,648,457	-	-	3,648,457
<b>Total</b>	<b>\$ 7,981,711</b>	<b>\$ 2,633,694</b>	<b>\$ -</b>	<b>\$ 10,615,405</b>

The Foundation determines the fair value of assets and liabilities with a fair value framework that defines fair value for financial reporting, establishes a hierarchy for measuring fair value and requires additional disclosures about the use of fair value measurements.

The Foundation’s financial instruments consist principally of cash and cash equivalents, investments, grants payable, and accounts payable and accrued expenses. Financial instruments are considered to be liquid or short-term, the Foundation assumed that the carrying values approximate the fair value.

# Philanthropic Ventures Foundation

## Notes to Financial Statements

---

Fair value measurement reporting provides a consistent definition of fair value which focuses on an exit price, which is 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. Fair value reporting standards prioritize, within the measurement of fair value, the use of market-based information over entity-specific information and establish 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 standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities. Mutual funds and domestic equity securities are valued using quoted market prices.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Foundation does not have any investments valued with Level 3 inputs.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and such investments are classified as a Level 2.

The Foundation's policy is to recognize any transfers between levels at the beginning of the period in which the event or change in circumstances occurred.

While the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Investment earnings and related expenses on these securities at December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends, net	\$ 196,107	\$ 153,534
Realized gain	217,054	91,434
Unrealized gain	<u>922,359</u>	<u>414,862</u>
Total investment income	<u>\$ 1,335,520</u>	<u>\$ 659,830</u>

## Philanthropic Ventures Foundation Notes to Financial Statements

### NOTE 4 – NET ASSETS AND ENDOWMENT FUNDS

The Foundation's endowment includes one donor-restricted fund. The Board of Directors of Philanthropic Ventures Foundation has interpreted CUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets:

- The original value of gifts donated to the permanent endowment;
- The original value of subsequent gifts to the permanent endowment; and
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted net assets that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As of December 31, 2017 and 2016, endowment net asset composition by type of fund was as follows:

Donor-Restricted Endowment Funds	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Porter Fund	\$ -	\$ 845,605	\$ 4,650,000	\$ 5,495,605
	<u>\$ -</u>	<u>\$ 845,605</u>	<u>\$ 4,650,000</u>	<u>\$ 5,495,605</u>

# Philanthropic Ventures Foundation

## Notes to Financial Statements

Donor-Restricted Endowment Funds	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Porter Fund	\$ -	\$ 302,861	\$ 4,650,000	\$ 4,952,861
	<u>\$ -</u>	<u>\$ 302,861</u>	<u>\$ 4,650,000</u>	<u>\$ 4,952,861</u>

Changes in endowment net assets for the years ended December 31, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets</b> , December 31, 2015	\$ -	\$ 189,498	\$ 4,650,000	\$ 4,839,498
<b>Investment return</b>				
Total investment return	-	285,372	-	285,372
Appropriation of endowment assets for expenditures	-	(172,009)	-	(172,009)
<b>Endowment net assets</b> , December 31, 2016	-	302,861	4,650,000	4,952,861
<b>Investment return</b>				
Total investment return	-	724,493	-	724,493
Appropriation of endowment assets for expenditures	-	(181,749)	-	(181,749)
<b>Endowment net assets</b> , December 31, 2017	<u>\$ -</u>	<u>\$ 845,605</u>	<u>\$ 4,650,000</u>	<u>\$ 5,495,605</u>

**Endowment fund deficiencies** – From time to time, the fair value of assets associated with the Porter restricted endowment fund may fall below the level that the donor or Board of Directors requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2017 and 2016, there were no deficiencies.

**Return objectives and risk parameters** – The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the purchasing power of the endowment fund and at the same time provide a regular and growing distribution of funds for the use of the Foundation, consistent with the terms of the endowment fund distribution policy and the terms governing each of the individual endowment funds. A balanced approach is to be taken between risk, preservation of capital, income and growth.

**Strategies employed for achieving objectives** – To satisfy its investment policy objectives, Philanthropic Ventures Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) through equity-based investments and current yield (interest and dividends) through fixed income investments. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its return objectives within prudent risk constraints.



## Philanthropic Ventures Foundation

### Notes to Financial Statements

---

**Spending policy and how the investment objectives relate to spending policy** – The Foundation has a policy of appropriating for distribution each year an amount of 3.5% of its endowment portfolio. The Board of Directors may request all, a portion, or none of the appropriation be distributed in accordance with the endowment fund's purpose as defined by the endowment agreement or applicable board resolution. Any portion of the distribution not appropriated by the Board of Directors shall be kept in the endowment fund, be governed by the endowment investment policy, and be available for future distribution in accordance with the distribution policy.

#### **NOTE 5 – RETIREMENT PLAN**

The Foundation has a noncontributory defined contribution pension plan covering all full time employees with one or more years of eligible service. The Foundation contributes up to 10% of each eligible employee's gross salary. Retirement expense for the years ended December 31, 2017 and 2016, amounted \$18,979 and \$21,723, respectively.

#### **NOTE 6 – TAX-EXEMPT STATUS**

The Foundation is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. The Foundation is also exempt from California income tax under Section 23701d of Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these financial statements.

Accounting principles generally accepted in the United States of America require the Foundation management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset), if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by Internal Revenue Service. The Foundation has analyzed its tax positions and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

