THE SAN FRANCISCO FOUNDATION

JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

The San Francisco Foundation

Independent Auditors' Report and Consolidated Financial Statements

Independent Auditors' Report

THE BOARD OF TRUSTEES
THE SAN FRANCISCO FOUNDATION
San Francisco, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **THE SAN FRANCISCO FOUNDATION and its supporting organizations, (collectively, the Foundation)** which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and changes in net assets, functional expenses, 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 Foundation as of June 30, 2018, 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our audit report dated December 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 13, 2018

The San Francisco Foundation

Consolidated Statement of Financial Position
(in thousands)

June 30, 2018 (with comparative totals for 2017)	2018	2017
Assets		
Cash and cash equivalents	$ 16,043	$ 2,402
Investments	1,469,968	1,415,705
Contributions and other accounts receivable, net	7,653	7,772
Charitable trust assets	23,174	22,274
Fixed assets, net	786	1,101
Program related investments	8,965	6,707
Other assets	4,562	4,026
Total assets	$ 1,531,151	$ 1,459,987
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	$ 928	$ 1,120
Grants payable, net	23,667	24,819
Liability to beneficiaries	12,523	10,051
Agency funds	24,605	19,158
Total liabilities	61,723	55,148
Net Assets:		
Unrestricted	566,125	546,714
Temporarily restricted	789,749	744,796
Permanently restricted	113,554	113,329
Total net assets	1,469,428	1,404,839
Total liabilities and net assets	$ 1,531,151	$ 1,459,987

See accompanying notes to consolidated financial statements.

The San Francisco Foundation

Consolidated Statement of Activities and Changes in Net Assets
(in thousands)

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and Support:					
Contributions and bequests	$ 113,048	$ 21,710	$ 171	$ 134,929	$ 93,407
Investment income, net	34,194	68,516		102,710	172,618
Change in value of split interest agreements		(1,698)	(46)	(1,744)	1,165
Unrealized gain on interest in perpetual trust			100	100	144
Other income	435			435	818
Net assets released from restrictions	43,575	(43,575)		-	-
Total revenue and support	191,252	44,953	225	236,430	268,152
Expenses:					
Program services:					
Grant expenses	154,417			154,417	146,891
Other program expenses	10,410			10,410	8,432
Total program services	164,827	-	-	164,827	155,323
Management and general	5,283			5,283	4,639
Development and donor services	1,731			1,731	1,300
Total expenses	171,841	-	-	171,841	161,262
Change in Net Assets Before Transfer of Supporting Organization	19,411	44,953	225	64,589	106,890
Transfer of Supporting Organization (Note 1)				-	(1,604)
Change in Net Assets	19,411	44,953	225	64,589	105,286
Net Assets - beginning of year	546,714	744,796	113,329	1,404,839	1,299,553
Net Assets - end of year	$ 566,125	$ 789,749	$ 113,554	$ 1,469,428	$ 1,404,839

See accompanying notes to consolidated financial statements.

The San Francisco Foundation

Consolidated Statement of Functional Expenses
(in thousands)

Year Ended June 30, 2018 (with comparative totals for 2017)

	Program Services	Management and General	Development and Donor Services	2018 Total	2017 Total
Grant expenses	$ 154,751			$ 154,751	$ 146,891
Salary and benefits	5,495	$ 3,255	$ 1,070	9,820	8,755
Advertising	57	20	28	105	100
Books and subscriptions	3	3	1	7	7
Convening and special events	455	162	166	783	421
Depreciation and amortization	217	109	36	362	362
Dues and memberships	95	69	1	165	114
Equipment rental and maintenance	478	208	81	767	359
Insurance		138		138	138
Occupancy	541	483	160	1,184	1,134
Outside temporary staff	239	125	26	390	362
Postage and shipping	1	11		12	13
Printing and publications	22	7	11	40	38
Professional fees and consultants	2,366	535	123	3,024	1,959
Supplies	16	53	5	74	83
Taxes, fees, and licenses	(329)	30	3	(296)	213
Training and professional development	120	42	6	168	128
Travel	181	32	14	227	173
Loan guarantee loss reserve	118			118	11
Miscellaneous expenses	1	1		2	1
Total other expenses	10,076	5,283	1,731	17,090	14,371
Total	$ 164,827	$ 5,283	$ 1,731	$ 171,841	$ 161,262

See accompanying notes to consolidated financial statements.

The San Francisco Foundation

Consolidated Statement of Cash Flows
(in thousands)

Year Ended June 30, 2018 (with comparative totals for 2017)	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	$ 64,589	$ 105,286
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	362	362
Net realized and unrealized gain on investments	(98,150)	(166,662)
Notes receivable loan loss reserve	118	11
Change in operating assets and liabilities:		
Contributions and other accounts receivable	119	(1,838)
Charitable trust assets	(900)	(733)
Other assets	(536)	4,659
Accounts payable and other liabilities	(192)	(360)
Grants payable	(1,152)	12,074
Liability to beneficiaries	2,472	149
Agency funds	5,447	(66)
Net cash used by operating activities	(27,823)	(47,118)
Cash Flows from Investing Activities:		
Purchases of investments	(143,458)	(101,801)
Proceeds from sale of investments	187,345	151,560
Purchases of fixed assets	(47)	(43)
Other program related investments	(257)	(3)
Collections of other program related investments	255	
Investments on notes receivable - program related investments	(2,623)	(1,796)
Collection on notes receivable - program related investments	249	121
Net cash provided by investing activities	41,464	48,038
Change in Cash and Cash Equivalents	13,641	920
Cash and Cash Equivalents - beginning of year	2,402	1,482
Cash and Cash Equivalents - end of year	$ 16,043	$ 2,402

See accompanying notes to consolidated financial statements.

Note 1 - Organization:

The San Francisco Foundation (the Foundation) is a public benefit community foundation created in 1948 for the broad-based public benefit of residents in the Bay Area. The Foundation operated as a Trust until July 1, 2003 when it became a non-profit public benefit corporation under the laws of California.

The Foundation mobilizes resources and acts as a catalyst for change to build strong communities, foster civic leadership, and promote philanthropy. Through the generosity of donors, past and present, the Foundation funds nearly 3,000 non-profit organizations in the Bay Area and across the country each year in response to the ever-changing demographics and needs of our communities. The Foundation's challenge is to ensure that everyone in the Bay Area can thrive and reach their full potential. The Foundation wants to ensure that everyone has a good job, lives in a safe and affordable home, has a strong political voice, and can live in a community that provides real access to opportunity. At the center of this, is the need to advance greater racial and economic equity throughout the region. To reach this goal, the Foundation focuses on three interrelated pathways: 1) People: expanding access to opportunity by removing systemic barriers, 2) Place: anchoring communities that reflect people's culture and identity, and 3) Power: nurturing equity movements to ensure a strong political voice for all. The Foundation supports equity-focused efforts through grants, civic leadership, advocacy, and program-related investments.

The bylaws of the Foundation include a variance provision giving the Board of Trustees (the Trustees) the power to modify any restriction or condition placed on gifts to the Foundation if, in its sole judgment, the Trustees determine that the restriction becomes, in effect, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

Supporting Organizations

A supporting organization is a charity under Section 501(c)(3) of the Internal Revenue Code (the Code) that is classified as a public charity rather than a private foundation because it supports a publicly supported charity, such as a community foundation. Supporting organizations of the Foundation are consolidated herein. The supporting organizations are East Bay Foundation on Aging, TSFF Foundation on Community Development, TSFF Foundation on Health, TSFF Foundation for Community Resiliency, and TSFF Foundation on Social Justice, all of which are effectively controlled by the Foundation. All of the supporting organizations are Type 1 as defined by the Internal Revenue Service (IRS).

Effective July 1, 2018, the East Bay Foundation on Aging transferred to East Bay Community Foundation and is no longer a supporting organization to the San Francisco Foundation. Net assets of $12,339 related to the supporting organization were transferred to East Bay Community Foundation subsequent to year end.

The Latino Community Foundation requested and was granted IRS public charity status and is no longer a supporting organization to the Foundation. Effective, July 1, 2016, The Latino Community Foundation is no longer included in the consolidated financial statements of the Foundation.

Note 2 - Significant Accounting Policies:

a. Basis of Accounting and Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America (U.S. GAAP). The Foundation reports information regarding its financial position and activities according to the class of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Trustees have designated certain unrestricted net assets for additional program related investments and operating reserve (Note 13).

Temporarily Restricted Net Assets – The portion of net assets consisting of irrevocable remainder charitable trusts, contributions unconditionally promised which are scheduled to be received in the future, purpose-restricted grants, and the portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Permanently Restricted Net Assets – The portion of net assets consisting of the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds where the donor indicated that a portion of the fund be retained permanently. Also included in permanently restricted net assets is the Foundation's interest in a perpetual trust.

b. Principles of Consolidation

The accompanying consolidated financial statements include all amounts and operations of the Foundation and its supporting organizations (collectively, the Foundation). Intercompany transactions and accounts have been eliminated in consolidation.

c. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include the Foundation's operating and checking accounts. Cash and cash equivalents are also maintained within investments (Note 4), which are liquidated as necessary to meet payment obligations.

d. Investments

The Foundation reports investments at fair value. Gains and losses that result from market fluctuations are recognized in the Consolidated Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned. Investments received through gifts are recorded at estimated fair value at the date of donation.

Due to the inherent uncertainty of the valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

In addition, the Foundation reports certain investments using the Net Asset Value (NAV) per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. On an annual basis, management reviews the audited financial statements for each investment and compares the value reported by the fund manager to the value contained in the audited financial statements to assess the reasonableness of the valuation.

For cash flow purposes, purchases of investments represent the total additions to the portfolio from revenues received during the year. Proceeds from the sale of investments represent the withdrawals used for grants and operations.

e. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. 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. Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy. The Foundation classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted market prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

f. Endowment Funds

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 "Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds." The State of California adopted a version of the UPMIFA as its State Prudent Management of Institutional Funds Act (SPMIFA).

Interpretation of Relevant Law

The Trustees have determined that the Foundation holds net assets that meet the definition of endowment funds under SPMIFA.

The corpus value of funds subject to SPMIFA is classified as permanently restricted in cases where the donor indicated that a portion of the fund be retained permanently.

The corpus of these funds represents the fair value of the original gift as of the gift date and the original value of subsequent gifts where the donor indicated that a portion of the fund be retained permanently. The excess balance is classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the Foundation.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level classified as permanently restricted net assets.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to earn the spending policy percentage plus inflation, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grantmaking and administration. The current spending policy is to distribute an amount equal to 5% of a moving 16-quarter rolling average. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment assets to grow at an average rate of inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

g. Charitable Trust Assets

Charitable trust assets include the estimated fair value of various irrevocable charitable trusts. Trusts in which the Foundation is both trustee and secondary beneficiary are recorded at the fair value of the assets in the trust. The assets of the trusts generally include marketable equity and debt securities, which are recorded at fair value determined based on quoted market prices.

Trusts for which the Foundation is not the trustee are recorded as contributions receivable from charitable trusts and are recorded at the fair value of the assets in the trusts, less the present value of the expected payments, using the IRS Section 7520 rate in effect as of the end of the fiscal year (3.4%).

h. Beneficial Interest in Perpetual Trust

The Foundation is the beneficiary of an irrevocable trust, from which the Foundation receives the income in perpetuity. The assets are held by a third-party trustee. The value of the beneficial interest is based upon the fair value of the assets in the trust.

i. Fixed Assets

Fixed assets are stated at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the related assets or the term of the applicable lease.

j. Program Related Investments

Program related investments consist of loans and certificates of deposit that were made for the purpose of the Foundation's programmatic mission. The Foundation partners with donors to make these investments and several donors have committed funds to be available for five to seven years to further support program related investments.

The Foundation records program related investments at cost. These investments are evaluated for impairment annually and written down if appropriate. Interest rates charged on loan receivables are generally below market rates. The Foundation's loan receivables are recorded at the time the loan is funded and agreed to by both parties.

k. Liability to Beneficiaries

Liability to beneficiaries represents the present value of the liability due to primary beneficiaries of the irrevocable charitable trusts for which the Foundation is both trustee and secondary beneficiary. Beginning with the year ended June 30, 2018, the liability is calculated using life expectancies from the 2012 IAR mortality table and a discount rate of 7%. For the year ended June 30, 2017, the liability was calculated using life expectancies from the 80CNSMT mortality table and a discount rate of 8%.

l. Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value on the date donated. Contributions to be received after one year are discounted at an appropriate market discount rate. Conditional promises to give are not recorded as contribution revenue until the conditions are substantially met.

As discussed in Note 2a above, the Foundation receives contributions subject to time or purpose restrictions. When the restriction is met in the same period the contribution is received, the contribution is reported as an increase in temporarily restricted support and net assets released from restrictions in the Consolidated Statement of Activities and Changes in Net Assets.

m. Grant Expenses

Grant expenses are recognized when unconditional promises to give are approved by the Trustees. Grant refunds are recorded as reductions of grant expenses at the time the grants are refunded to the Foundation. Grants payable represent the present value of grants to be paid in the future. The discount on those amounts is computed using market interest rates applicable in the year in which the grant is approved. Amortization of the discount is included in grant expense.

n. Functional Expense Allocations

The Consolidated Statement of Activities and Changes in Net Assets reflects expenses in the categories of program, management and general, and development and donor services. Because departments are organized along functional lines, for most departments, expenses are allocated based upon the primary purpose of the department. Multi-purpose departments (chief executive, development and donor services, and marketing and communications), are split among program, management and general, and development and donor services based upon time estimates made by the Foundation's management staff in these departments.

Overhead expenses (occupancy, equipment rental, and management information systems) are allocated using a weighted average of expenses of all other departments among program, management and general, and development and donor services.

o. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts. Accordingly, actual results could differ from these estimates.

p. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2017, from which the summarized information is derived.

Certain reclassifications have been made to the 2017 consolidated financial statements in order to conform to the 2018 presentation. These reclassifications had no impact on net assets or changes in net assets.

q. Tax Exempt Status

The Foundation is exempt from federal income tax on related income under Section 501(c)(3) of the Code and has been classified as an organization which is not a private foundation as defined in Sections 509(a)(1) and 170(b)(i)(A)(vi) of the Code. However, the Foundation is subject to tax on unrelated business income, such as income generated by its investments.

The Foundation follows the guidance of FASB ASC Topic 740 - Accounting for Uncertainty in Income Taxes. As of June 30, 2018, 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 consolidated financial statements.

r. Recent Accounting Pronouncements

Pronouncements Effective in the Future:

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for the Foundation for its fiscal year ending June 30, 2019, with early application permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Foundation is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU 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. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The amendments in the update are effective for the Foundation for its fiscal year ending June 30, 2020. The Foundation is currently evaluating the impact of this pronouncement on its consolidated financial statements.

(dollars in thousands)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Foundation for its fiscal year ending June 30, 2021, with early application permitted. The Foundation is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The ASU removes the requirements for transfers between Levels 1 and 2 as well as the valuation processes for Level 3 fair value measurements. In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 as well as purchases and issues of Level 3 assets and liabilities. It clarifies that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The amendments in the update are effective for the Foundation for its fiscal year ending June 30, 2021. The Foundation is currently evaluating the impact of this pronouncement on its consolidated financial statements.

s. Subsequent Events

The Foundation evaluated subsequent events with respect to the consolidated financial statements for the year ended June 30, 2018 through December 13, 2018, the date the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as discussed in Notes 1 and 4.

Note 3 - Contributions and Other Accounts Receivable, Net:

Contributions and other accounts receivable consist of the following as of June 30:

	2018	2017
Contributions receivable (net of discount of $103 and $3 for the years ended June 30, 2018 and 2017, respectively)	$ 6,417	$ 6,413
Accrued interest on investments	1,223	1,352
Other accounts receivable	13	7
Total	$ 7,653	$ 7,772

Contributions receivable as of June 30, 2018 are expected to be received as follows: $5,183 within one year and $1,234 within two to five years.

(dollars in thousands)

Note 4 - Investments:

The Foundation's investments consist of the following as of June 30:

	2018	2017
Cash and cash equivalents	$ 59,268	$ 45,534
Fixed income	329,378	379,804
Domestic equities	301,605	266,609
International equities	207,176	251,296
Global equities	167,525	127,037
Alternative investments	398,300	344,608
Subtotal	1,463,252	1,414,888
Receivables for unsettled transactions	8,987	12,735
Payables for unsettled transactions	(2,271)	(11,918)
Total	$ 1,469,968	$ 1,415,705

The Foundation's investment income consists of the following for the year ended June 30:

	2018	2017
Realized and unrealized gain	$ 98,150	$ 166,662
Fees (management and performance)	(6,200)	(3,673)
Dividends and interest	10,760	9,629
Investment income, net	$ 102,710	$ 172,618

The majority of donor advised fund investments are allocated among long-term, short-term, and socially responsible pools as recommended by donor advisors. The short-term pool provides liquidity for current giving requirements. Approximately 69% of the donor advised funds allocate 75% or more of their funds to the short-term pool. The long-term pool has an investment objective of earning 5% above the inflation rate and is appropriate for the portion of a donor advised fund with a very long-term outlook. The socially responsible pool also has a long-term horizon and additional screens for social criteria. Donor advised funds invested outside the pools also have an allocation to cash and short-term investments based on the donors' plans for current giving.

Subsequent to year end, the Foundation redeemed $79 million from current investments. The proceeds from these redemptions were allocated to current and new investment managers or utilized for the Foundation's cash needs. Subsequent to year end, the Foundation reinvested $36 million in new or current investments.

(dollars in thousands)

Note 5 - Fair Value Measurements and Net Asset Value:

Fair Value Measurement:

The table below presents the balances of assets measured at fair value at June 30, 2018 on a recurring basis:

	Total	Level 1	Level 2	Level 3	(a) NAV
Cash and cash equivalents	$ 59,268	$ 59,268			
Fixed income:					
U.S. government and agency	96,743	96,743			
U.S. corporate	139,367		$ 139,367		
Non-agency and asset backed	18,122		18,122		
Global	8,808		8,808		
Investment grade U.S. fixed income mutual funds and ETFs	12,264	12,264			
Pooled funds	54,074				$ 54,074
Domestic equities:					
Publicly traded:					
Consumer/Staples	13,556	13,556			
Energy/Materials	2,226	2,226			
Financials	9,795	9,795			
Health Care	10,214	10,214			
Industrials	4,455	4,455			
IT/Telecom/Utilities	6,813	6,813			
Other	1,009	1,009			
Private common stock consumer goods	5,615			$ 5,615	
Mutual funds:					
Small Cap	12,819	12,819			
Large Cap	15,519	15,519			
Pooled funds	219,584				219,584
International equities:					
Developed markets	2,379	2,379			
Mutual funds:					
Developed	4,006	4,006			
Emerging	2,556	2,556			
Pooled funds	198,235				198,235
Global equities:					
Pooled funds	167,525				167,525
Alternative investments:	398,300				398,300
Subtotal	1,463,252	253,622	166,297	5,615	1,037,718
Charitable trust assets	23,174		23,174		
Beneficial interest in perpetual trust	2,469		2,469		
Total assets measured at fair value	$ 1,488,895	$ 253,622	$ 191,940	$ 5,615	$ 1,037,718

(dollars in thousands)

(a) In accordance with FASB subtopic 820-10, certain investments that are measured at fair value using the NAV 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.

Net Asset Value:

The Foundation uses NAV as a practical expedient to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments valued at NAV by major category as of June 30, 2018:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled Funds:					
Fixed income (a):					
Redeemable	2	$ 54,074		Semi-monthly to Monthly	5-15 days
Domestic equities (b):					
Redeemable	1	6,158		Daily	1 day
Redeemable with restrictions	5	213,426		Quarterly to Annually	45-90 days
International equities (c):					
Redeemable	3	105,414		Monthly	10-30 days
Redeemable with restrictions	2	92,821		Quarterly to 3 Years	90-180 days
Global Equities (d):					
Redeemable	2	99,797		Monthly to Quarterly	4-30 days
Redeemable with restrictions	2	67,728		Quarterly to Semi-annually	30-60 days
Alternative Investments:					
Hedged equity (e):					
Redeemable	2	52,614		Monthly to Quarterly	60-90 days
Redeemable with restrictions	9	180,450	$ 2,750	Quarterly to 3 Years	60-180 days
Non-redeemable	2	1,027	3,212	None	
Multi-strategy (f):					
Redeemable with restrictions	5	55,096		None to Annually	45-90 days
Long/short credit (g):					
Redeemable with restrictions	1	37,010		Quarterly	65 days
Non-redeemable	1	896		None	
Private equity (h):					
Non-redeemable	24	52,620	30,054	None	
Real assets (i):					
Non-redeemable	11	18,587	3,932	None	
Total	72	$ 1,037,718	$ 39,948		

a) The fixed income strategies are actively managed, diversified portfolios of United States (U.S.) investment grade and below investment grade fixed income and non-U.S. fixed income investments.

b) The domestic equity funds invest in passive U.S. index funds and actively managed funds benchmarked to U.S. equity indices. The fund with daily redemption is invested in an index fund designed to replicate the Russell 1000 Index. The remaining 97% is allocated across other funds that are actively managed, based on fundamental analysis and holding a concentrated number of positions. Of these investments, 52% can be redeemed quarterly subject to a 20% gate on redemptions, 19% is in concentrated funds allowing quarterly or annual redemptions, 19% is a long-biased equity fund with a 1-year lock up, and 10% can be redeemed annually with a 33% gate.

c) The international equity strategies are all actively managed and invest in both emerging and developed market equities. Emerging markets make up 31% of the portfolio, developed Pacific, 27%, and developed Europe, 42%. 27% of the redeemable assets in this category have a rolling 3-year lock-up.

d) The global equity funds are all actively managed and invested in U.S., non-U.S. developed, and non-U.S. emerging market equities. 14% of these assets are redeemable with a 2-year lock-up.

e) The hedged equity funds consist of directly held funds which, in aggregate, represent a number of underlying funds with a wide range of investment strategies. These funds are primarily long public equity securities, but others are short public equity securities and hold small amount of fixed income and derivative securities. This category also includes opportunistic investment strategy funds. Restrictions on redemptions of the assets in this category include a lock up that expires in 1 year (9%), quarterly and annual redemptions with a 33% gate (16%), semi-annual redemptions on 50% of the balance (19%), semi-annual redemption with a 33% gate (11%), quarterly redemptions with a 2-year lock up (11%), rolling 12-36 month lock ups (12%), a partnership with no redemption rights and a partnership in liquidation.

f) The multi-strategy funds consist of directly held funds which, in aggregate, represent a number of underlying funds covering a wide array of investment strategies. Approaches include public and private equity, long/short equity and debt strategies, credit arbitrage and active fixed income investing. Of these assets, 39% is redeemable annually with notice of 45 days and 4% is generally not available for withdrawal or distribution until after the underlying investments are liquidated or distributed. Other restrictions on the remaining assets include quarterly redemptions with a 25% gate restriction (56%), and 3 funds are in the process of liquidation (1%).

g) Long/short credit strategies invest in both long and short positions in high yield fixed income. Of these assets, 98% have a 25% gate on redemption while the remaining assets are in liquidation.

(dollars in thousands)

h) Private equity strategies invest in various companies and some debt securities, both domestic and international, and using fund of funds as well as directly held funds. 4% of the partnerships are in liquidation and 96% have a remaining legal life span of up to 10 years with no redemption rights for the limited partners. Liquidity is expected in the form of distributions from the funds when the underlying assets are sold. It is estimated that the underlying assets will be redeemed over this period and that the Foundation will make new investments in other private equity strategies.

i) Real assets are investments in fund of fund partnerships and private real asset funds which invest in office, commercial, and industrial real estate along with a number of hard asset strategies. The partnerships have a remaining life span of up to 11 years with no redemption rights for the limited partners.

Note 6 - Charitable Trust Assets:

Charitable trust assets consist of the following as of June 30:

	2018	2017
Assets held in charitable trusts in which the Foundation is both trustee and secondary beneficiary	$ 19,000	$ 18,227
Contributions receivable from non-trusteed charitable trusts	4,174	4,047
Total	$ 23,174	$ 22,274

Assets associated with charitable trusts consist primarily of cash equivalents, equities, and fixed income securities.

Note 7 - Fixed Assets:

Fixed assets consist of the following as of June 30:

	2018	2017
Leasehold improvements	$ 1,292	$ 1,292
Furniture and fixtures	841	841
Computer equipment and software	2,524	2,477
Office equipment	59	59
	4,716	4,669
Less accumulated depreciation and amortization	(3,930)	(3,568)
Fixed assets, net	$ 786	$ 1,101

Depreciation and amortization expense was $362 for the year ended June 30, 2018.

(dollars in thousands)

Note 8 - Program Related Investments:

Program related investments consist of the following as of June 30:

	2018	2017
Notes receivable	$ 7,577	$ 5,203
Notes receivable loan loss reserve	(379)	(261)
Certificate of deposits – community banks	1,767	1,510
Cash deposits – community banks		255
Total	$ 8,965	$ 6,707

As of June 30, 2018, the Foundation has two revolving loans of $1,375 of which $188 has been disbursed and is included in notes receivable. The drawdown and loan period will expire between 2021 and 2025.

As of June 30, 2018, the Foundation also has three agreements to provide funding totaling $2,825 with drawdowns at the request of the borrower, subject to conditions to be met by the borrowers. Of these commitments, $1,825 has been disbursed as of June 30, 2018 and is included in notes receivable. The drawdowns and loan periods will expire between 2021 and 2028.

In June 2018, the Trustees designated $10,000 in additional funds to the Program Related Investments program, none of which was utilized during the fiscal year.

Note 9 - Other Assets:

Other assets consist of the following as of June 30:

	2018	2017
Beneficial interest in perpetual trust	$ 2,469	$ 2,368
Real estate	1,515	895
Artwork	347	358
Security deposit and prepaid rent	122	239
Other	109	166
Total	$ 4,562	$ 4,026

Real estate includes the Foundation's ownership in a single member LLC and a condominium in San Mateo. The LLC owns two condominium units in San Francisco. Real estate is held at fair value as of the date the contributed real estate assets were received and is evaluated annually for impairment.

(dollars in thousands)

Note 10 - Grants Payable, net:

Grants payable at June 30, 2018 are scheduled to be disbursed as follows:

Year Ending June 30,		
2019	$	20,970
2020		2,467
2021		297
2022		90
		23,824
Less discount on multi-year grants payable		(157)
Grants payable, net	$	23,667

The Foundation has approved $1,435 of conditional grants at June 30, 2018, which is not included in grants payable.

Note 11 - Agency Funds:

Agency funds represent funds transferred to the Foundation by other not-for-profit organizations that have specified themselves as the beneficiary. These funds are accounted for as assets and liabilities in the Consolidated Statement of Financial Position and their activities are excluded from the Consolidated Statement of Activities and Changes in Net Assets. However, the Foundation maintains legal ownership of the assets and has variance power.

The following is a roll-forward of the agency funds:

Balance at June 30, 2017	$	19,158
Contributions		7,217
Interest and dividends		163
Net gain (realized and unrealized)		828
Grants out of agency funds		(2,518)
Other expenses		(243)
Balance at June 30, 2018	$	24,605

(dollars in thousands)

Note 12 - Endowments:

Changes in donor restricted endowment funds for the year ended June 30, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 712,799	$ 113,329	$ 826,128
Interest and dividends	3,387		3,387
Investment management fees	(3,819)		(3,819)
Net gain (unrealized and realized)	68,557	100	68,657
Change in value of split interest agreements		(46)	(46)
Contributions	1,816	171	1,987
Appropriation for expenditure	(40,044)		(40,044)
Change in endowment net assets	29,897	225	30,122
Endowment net assets, end of year	$ 742,696	$ 113,554	$ 856,250

Note 13 - Net Asset Composition:

In addition to endowment net assets, the Foundation also manages other non-endowed funds.

The following table summarizes all Foundation net assets as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor endowment funds		$ 742,696	$ 112,045	$ 854,741
Split interest agreements		9,142	1,509	10,651
Donor advised funds	$ 538,759			538,759
Operating funds	10,300			10,300
Board designated funds:				
Program related investments	14,871			14,871
Operating reserve	2,192			2,192
Project and special purpose funds	3	37,911		37,914
Total	$ 566,125	$ 789,749	$ 113,554	$1,469,428

Net assets of $43,575 were released from restrictions due to the expiration of the time and purpose restrictions, during the year ended June 30, 2018. During 2018, the Trustees designated $11,355 of unrestricted net assets to be used for program related investments and operating reserve. As of June 30, 2018, the Trustees have designated $17,063 of unrestricted net assets to be used for program related investments and operating reserve.

(dollars in thousands)

The endowed assets are comprised of over 245 individual funds. The Foundation honors the intent expressed by the donor at the time of the gift. Of the grantmaking made from endowed funds in the year ended June 30, 2018, approximately one-half are funds that have been entrusted by donors to the Foundation to determine the best use of the funds to benefit the community. The balance is allocated according to the intent of the donors across the Foundation's equity focused grantmaking pathways of people, place, and power.

Note 14 - Commitments and Contingencies:

The Foundation leases office facilities and various office equipment under operating leases which expire through 2024.

The following is a schedule of future minimum lease payments required under non-cancelable operating leases at June 30, 2018:

Year Ending June 30,	
2019	$ 1,111
2020	1,126
2021	1,145
2022	1,131
2023	1,153
Thereafter	341
Total future minimum lease payments	$ 6,007

Rental expense was approximately $1,144 for the year ended June 30, 2018.

Note 15 - Related Parties:

The Foundation has and may continue to have Trustees and committee members who hold interests in, or are employed by, corporations or partnerships held as investments by the Foundation. The Foundation has a conflict of interest policy which covers investments and vendor relationships with Trustees, committee members, and staff. The policy requires annual disclosures and discussion of potential conflicts at meetings, so that Trustees, committee members, and staff may continue to serve the Foundation through their professional knowledge and expertise.

Note 16 - Retirement Plan:

The Foundation provides a defined contribution plan under Section 401(k) of the Code (the 401(k) Plan). Employees are considered eligible for contributions after they have completed one year of service and 1,000 hours of employment. For 2018 and 2017, the Foundation contributed 12% of salary each year to the 401(k) Plan for all eligible employees, as defined.

Retirement plan expense related to the 401(k) Plan was $642 for the year ended June 30, 2018.

Note 17 - Concentrations:

Risk

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. To address the risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines, and requires review of the investment managers' performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment classes. An investment consultant is also utilized. This entire process is actively overseen by an Investment Committee that includes members and non-members of the Trustees.

In addition to investments, concentrations of market and credit risk exist for cash and cash equivalents and charitable trust assets. At times, cash amounts might exceed federally-insured limits.

Other

The majority of contributions and bequests consist of donations from individuals and estates. Approximately 26% of the contributions and bequest revenue is comprised of funds from two contributors for the year ended June 30, 2018.