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Consolidated Financial Statements and Report of Independent Certified Public Accountants

Skoll Foundation

December 31, 2011

Contents

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Audit – Tax – Advisory

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Report of Independent Certified Public Accountants

Board of Directors
Skoll Foundation

We have audited the accompanying consolidated statement of financial position of Skoll Foundation (the "Foundation") as of December 31, 2011 and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Skoll Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

San Jose, California
August 9, 2012

Skoll Foundation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS		
Assets		
Cash	$	3,417,044
Prepaid expenses and deposits		130,106
Federal excise tax refund receivable		220,736
Investments, at fair value		451,436,297
Investment sales receivable		7,899,057
Interest and dividend receivable		29,437
Program related investments		9,286,950
Property and equipment, net		247,387
Total assets	$	472,667,014
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	483,721
Investment purchases payable		4,030,092
Accrued expenses and other liabilities		1,260,215
Grants payable, net		12,783,637
Deferred federal excise tax payable		284,240
Total liabilities		18,841,905
Net assets		453,825,109
Total liabilities and net assets	$	472,667,014

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

Skoll Foundation

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2011

Revenue	
Contributions	$ 2,637,130
Investment loss, net	(6,555,199)
Earned revenue	792,840
Federal excise tax benefit	274,497
Total net revenue (loss)	(2,850,732)
Expenses	
Grants	23,466,685
Direct charitable expenses	3,420,965
Program and administrative expenses	11,035,135
Total expenses	37,922,785
Change in net assets	(40,773,517)
Net assets, beginning of year	494,598,626
Net assets, end of year	$ 453,825,109

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

Skoll Foundation

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2011

Cash flows from operating activities	
Change in net assets	$ (40,773,517)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	97,792
Net realized and unrealized loss on investments	10,010,990
Net realized and unrealized loss on program related investments	856,204
Investment management expenses	1,291,492
Deferred excise taxes	(601,772)
Changes in operating assets and liabilities:	
Investment sales receivable	12,054,533
Interest and dividend receivable	231,177
Prepaid expenses and deposits	(9,249)
Federal excise tax refund receivable	127,275
Accounts payable	205,178
Investment purchases payable	1,407,606
Accrued expenses and other liabilities	367,093
Grants payable, net	6,758,310
Net cash used in operating activities	(7,976,888)
Cash flows from investing activities	
Purchase of property and equipment	(12,221)
Purchases of program related investments	(1,188,918)
Proceeds from program related investments	630,637
Redemption of credit facility	(10,180,714)
Purchases of investments	(320,265,981)
Proceeds from the sale of investments	337,201,794
Net cash provided by investing activities	6,184,597
Net decrease in cash	(1,792,291)
Cash, at beginning of year	5,209,335
Cash, end of year	$ 3,417,044
Supplemental data for non-cash activities	
Cash paid for interest	$ 56,482
Cash paid for excise taxes	$ 200,000

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

NOTE 1 – THE ORGANIZATION

Skoll Foundation (the "Foundation") is a private foundation established by Jeffrey Skoll in 2002. The Foundation's mission is to drive large-scale change by investing in, connecting and celebrating social entrepreneurs and the innovators who help them solve the world's most pressing problems.

The Foundation is organized as a non-profit charitable corporation and operates from its office in Palo Alto, California. The Foundation is the sole member of the Skoll Global Threats Fund, a private foundation and membership organization established by Jeffrey Skoll in 2009. The mission of the Skoll Global Threats Fund is to confront global threats imperiling humanity by seeking solutions, strengthening alliances, and spurring the actions needed to safeguard the future. The Skoll Global Threats Fund is consolidated with the Foundation for financial statement purposes. All significant inter-entity transactions have been eliminated in consolidation.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

The Foundation recognizes contributions as revenue in the period received. For the year ended December 31, 2011, all activities of the Foundation were classified as unrestricted due to the lack of donor-imposed restrictions or because the restrictions were met in the same year. Contributions received with donor imposed restrictions which are met in the same year as received are reported as revenues of the unrestricted net asset class.

Cash

Cash consists of demand deposits maintained at a major commercial bank.

Investments

Investments are recorded at fair value, determined in accordance with the provisions of Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*. ASC 820 establishes a fair value hierarchal disclosure framework which prioritizes and ranks the level of market price observable inputs used in measuring investments at fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Level 1 – Inputs based on quoted market prices for identical assets or liabilities in an active market. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data. Price inputs are quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value drivers are observable in active markets.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited interests.

Investments in equity and debt securities with readily determinable fair values are stated at fair value. A financial instrument's categorization in the hierarchy is based upon the lowest level input that is significant to the fair value measurement based on quoted market prices. Private investments that do not carry publicly observable prices are valued utilizing a variety of valuation methodologies. These private investments most usually represent direct ownership in a formed entity or corporation and are likewise assigned a value according to the overall determination of value of the formed entity or corporation. The most common methodologies of valuation which are applied include, but are not limited to, liquidation of stockholders equity (accounting value), observable pricing, and external qualified opinions of valuation. Inputs that are used in internal valuation will vary according to investment characteristics, but most common forms of input include, but are not limited to, audited financial statements, ownership capitalization tables, purchase and sales agreements, limited liability company agreements, debt covenant agreements, and public comparables. Additionally, publicly unobservable inputs learned thru confidential and insider relationships with invested entities or corporations factors may be employed in valuation.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

The securities for which fair values are estimated using the pricing models described above are generally classified as private equity investments within Level 2 of the fair value hierarchy. Securities are classified within Level 3 when there is limited activity or less transparency around inputs to the valuation, such as when there is a lack of information related to equity securities held in nonpublic companies. Equity securities classified in Level 3 include non-publicly held companies. If quoted market prices are not available or accessible for debt securities, then fair values are estimated using pricing models or matrix pricing. The pricing models or matrices used in internal valuation of private debt investments most generally compare the relevant characteristic of an observed comparable to the valued investment, and will apply a relationship between the comparable and valued investment over a time period, or at a certain period in time to derive estimates of value. Various factors considered in comparison evaluation, include, but are not limited to, the following: market price activity, yield (spread) momentum, callability features, and capital structure amendments. The fair values of corporate debt securities estimated using pricing models or matrix pricing include observable prices of corporate debt securities that do not trade in active markets and are generally classified within Level 2 of the fair value hierarchy. Securities are classified within Level 3 when there is limited activity or less transparency around inputs to the valuation.

Financial derivative instruments are recorded at fair value based on the last reported sale price or, if they are traded over-the-counter, at the most recent bid price in the accompanying consolidated statement of financial position with changes in the fair value reflected in the accompanying consolidated statement of activities.

Investments in partnerships and limited liability companies that do not have readily available market values are stated at fair value as reported by the general partner. These investments include a diverse range of vehicles, including private equity, absolute return funds, real estate and commodity funds. The valuation of these investments is based on the most recent value provided by the general partner, usually with a December 31 “as of” date. To evaluate the overall reasonableness of the valuation carrying value, management obtains and considers the audited financial statements of such investments. Management believes this method provides a reasonable estimate of fair value. However, the recorded value may differ from the market value had a readily available market existed for such investments, and those differences could be material. These investments are classified within Level 3 with the exception of those that can be redeemed within ninety days of December 31, 2011, which are classified as Level 2. Investment transactions are recorded on trade date which results in both investment receivables and payables on unsettled investment trades. Gains and losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized gains or losses on sales of investments are calculated on an adjusted cost basis. Dividend and interest income are accrued when earned.

Cash equivalents categorized as investments are comprised of money market mutual funds.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Related Investments

The Foundation makes investments which advance its charitable mission and qualify as charitable distributions by the Internal Revenue Service. Such investments earn below risk-adjusted market rates of return. Program related investments at December 31, 2011 include $4,699,999 of loans made directly to individual businesses and investment funds; $3,224,650 invested in private equity funds and valued at cost which approximates fair value; and $1,362,301 in a pledged deposit to collateralize a loan in the same amount to fund a fleet of health care service vehicles in Gambia and valued at principal amount using the exchange rate of December 31, 2011. Management has reviewed all program related investments and believes no impairment allowance is necessary as of December 31, 2011. All program related loans are current and on an active accrual status. Based on the performance of matured and active program related loans, the Foundation has not created an allowance for credit losses. The Foundation periodically reviews the valuation of program related loans and adjusts their carrying value based on various factors including exchange rates, fund manager valuations, and interest and principal payment performance.

Program related investments are valued based on Level 3 inputs per the fair value hierarchy. The following is a rollforward of activity for these program related investments.

Ending Balance at December 31, 2010	Realized Losses	Change in Unrealized Losses	Net Purchases	Sales and Settlement	Ending Balance at December 31, 2011
$ 9,584,873	$ (68,382)	$ (787,822)	$ 1,188,918	$ (630,637)	$ 9,286,950

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated lives of the respective assets, as follows:

Computers and software:	3 years
Furniture and fixtures:	5 years

Grants

Grants expenditures are recognized in the period the grant is approved provided the grant is not subject to future contingencies. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

As of December 31, 2011, the Foundation awarded conditional grants totaling $1,450,170, $608,600 of which was recorded as contribution expense in 2011, pursuant to the terms of the grants. The remaining balance of $841,570 will be recorded as an expense or upon the grantees satisfying the conditions of the grant, based on the specified payment schedules and achievement of milestones as outlined by the Foundation.

Contributed Services

Contributed services are recognized as revenues and costs if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair value of contributed services recorded in the accompanying statements of activities, consisting of investment management and facility use services provided by a related party, totaled $2,637,130 for the year ended December 31, 2011. Contributed investment management services are reflected as contributions revenue and as contributed investment management expenses which are netted against investment income. Contributed facility use services are reflected in contributions revenue and in direct charitable and program and administrative expenses.

Presentation of Expenses on the Statements of Activities

The Foundation's operating costs have been allocated between direct charitable and program and administrative expenses in the accompanying statement of activities. Direct charitable expenses are charitable costs incurred by the Foundation largely for the benefit of others, where the Foundation initiates and conducts the activity in part or in whole. Direct charitable expenses reported in the accompanying statements of activities represent the contribution of services, such as grantmaking and program coordination, to the Skoll Fund. The Skoll Fund awarded $20,967,525 (unaudited) of grants during the twelve month period ending December 31, 2011. The Skoll Fund is a supporting organization affiliated with the Silicon Valley Community Foundation.

The Silicon Valley Community Foundation appoints the majority of the Skoll Fund's Directors. Together with Skoll Foundation, the Skoll Fund seeks to drive large-scale change by investing in, connecting and celebrating social entrepreneurs and other innovators dedicated to solving the world's most pressing problems.

The allocation between direct charitable and program administrative expenses are based on the assignment of payroll, employment taxes and benefits based on staff estimates of the time spent on the relevant programs; direct assignment of non-payroll expenses to the relevant activities; and an allocation of remaining expenses based on the value and number of grants awarded and paid by the Skoll Fund and Skoll Foundation during the reporting period.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of cash, investment sales receivable and purchases payable, interest and dividends receivable, program related investments, accounts payable, accrued expenses and other liabilities, and grants payable approximate fair value because of the short maturity of these items. Investments are carried at estimated fair value as described above.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to credit risk consist primarily of cash, investments, and program related investments. The Foundation maintains cash primarily with one major financial institution. Such cash amounts may exceed Federal Deposit Insurance Corporation limits. The Foundation monitors its investments and has not experienced any significant credit losses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of commitments at the date of the financial statements. Actual results could differ from those estimates.

Foreign Currencies

Foreign currency amounts are translated into U.S. Dollars based on exchange rates as of December 31, 2011. Transactions in foreign currencies are translated into U.S. Dollars at the exchange rate prevailing on the transaction date.

Income Taxes

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and provides guidance on the recognition, re-recognition and measurement of benefits related to an entity's uncertain tax positions, if any. The Foundation adopted ASC 740-10-25 on July 1, 2009 and the adoption of this standard had no material effect on the Foundation's consolidated financial statements as of adoption, or at December 31, 2011. As such, the Foundation does not have a deferred tax asset on the Consolidated Statement of Financial Position and there have been no related tax penalties or interest which would be classified as tax expense in the Consolidated Statement of Activities.

The Foundation is subject to income taxes in the U.S. and California on unrelated business income. The Foundation's federal returns are currently open under the statute of limitations for the years ended after June 30, 2008 and subsequent years and California returns are open for the years ending June 30, 2007 and subsequent years.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Foundation does not anticipate that there will be any material changes in the unrecognized tax positions over the next twelve months.

Recently Adopted Accounting Pronouncements

In July of 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* The guidance requires entities to disclose information about the credit quality of financing receivable, aging of past due receivables, the nature and extent of troubled debt restructurings and significant purchases and sales of financing receivables. The Foundation has adopted this guidance as of January 1, 2011 and it did not have a material impact on the Foundation's financial statements.

NOTE 3 – INVESTMENTS

The investment goals of the Foundation include inflation adjusted preservation of capital and providing funds for pursuing the Foundation's charitable mission. The Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. As a general practice, all financial assets of the Foundation are managed by external investment management firms.

The Foundation's investments consisted of the following at December 31, 2011:

Cash equivalents	$ 15,257,821
Credit strategies	40,193,335
Derivatives	1,187,042
Fixed income	47,362,545
Global equities	125,976,749
Hedge fund strategies	36,322,661
Private equity	134,195,327
Real assets	50,940,817
	$ 451,436,297

NOTE 3 – INVESTMENTS (continued)

Credit strategies are investments in debt-related instruments or in funds that are actively purchasing and selling debt-related instruments on an opportunistic basis. Investments may include bank loans, high yield debt, real estate debt, mezzanine and second lien debt, distressed debt, emerging market debt, preferred stock and similar securities. Derivative instruments consist of investments in treasury swaps, and put and call options, and forward contracts on commodities. Fixed income consists of investments that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. Most of the investments in this category are U.S. Treasury securities. Global equities consist of investments in funds or made directly that focus in equity securities listed in or with exposure to: United States, Europe, Asia and other developing and emerging markets around the world. Hedge fund strategies are investments in funds that are expected to be multi-disciplinary and with managers that have the expertise to engage in both event-driven and hedged positions. Private equity includes investments in funds that make investments directly in private companies; some of which are made through underlying funds while others are made directly in the company. Real assets consist of investments in funds or made directly that focus on real estate, energy, commodities, renewable resources and hard tradable assets.

The following table presents the assets that are measured at fair value on the statement of financial position by level within the valuation hierarchy at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$15,257,822	$ -	$ -	$15,257,822
Credit strategies	-	-	40,193,335	40,193,335
Derivatives	-	1,187,042	-	1,187,042
Fixed income	47,362,545	-	-	47,362,545
Global equities	41,650,413	44,060,826	40,265,510	125,976,749
Hedge fund strategies	-	11,560,725	24,761,936	36,322,661
Private equity	947,331	453,009	132,794,987	134,195,327
Real assets	10,829,857	13,944,173	26,166,787	50,940,817
Total investments	$116,047,968	$71,205,775	$264,182,555	$451,436,297

NOTE 3 – INVESTMENTS (continued)

The following table includes a roll-forward of the amounts for the year ended December 31, 2011 for investments classified within Level 3:

	Beginning Balance at January 1, 2011	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Purchases	Sales and Settlement	Net Transfers In (Out) Level 3	Ending Balance at December 31, 2011
Credit strategies	$ 51,173,608	$ 6,230,583	$ (3,955,484)	$ 8,619,764	$ (22,008,810)	$ 133,674	$ 40,193,335
Global equites	50,341,842	829,384	(1,573,836)	9,289,647	(8,857,916)	(9,763,611)	40,265,510
Hedge fund strategies	40,400,825	3,094,428	(6,469,947)	6,112,865	(18,376,235)	-	24,761,936
Private equity	115,501,775	1,592,883	8,230,144	19,283,364	(10,865,848)	(947,331)	132,794,987
Real assets	31,145,991	2,546,098	(775,821)	10,410,806	(17,160,287)	-	26,166,787
Total	$ 288,564,041	$ 14,293,376	$ (4,544,944)	$ 53,716,446	$ (77,269,096)	$ (10,577,268)	$ 264,182,555

The amount included in the Consolidated Statement of Activities for the year attributable to the change in unrealized gains related to Level 3 assets still held at the reporting date was $(2,173,989). There were transfers of securities in the amount of $0 from Level 2 to Level 1 classification as the documented trade prices which were not available in prior periods were published during the year. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

NOTE 3 – INVESTMENTS (continued)

The Foundation uses Net Asset Value ("NAV") to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists the attributes of investments valued using NAV.

	Fair Value	Number of Funds	Remaining Life	Unfunded Commitments	Timing to Drawdown Commitments	Redemption Frequency (if Current Eligible)	Redemption Restrictions in Place at Year End
Credit strategies	$35,114,025	13	2-7 years	$ 5,732,030	0 – 3 years	Monthly, quarterly, annually, multi-annually or not redeemable.	Notification days ranging from 1-120 days subject to lock up conditions where applicable, or not redeemable.
Global equities	$84,326,336	14	3-9 years	80,901	0 – 1 years	Monthly, quarterly, annually, semi-annually, multi-annually	Notification days ranging from 7 – 120 days subject to lock-up conditions where applicable.
Hedge fund strategies	$36,322,661	12	3-9 years	-	N/A	Monthly, quarterly, annually, semi-annually, multi-annually	Notification days ranging from 45 – 120 days subject to lock-up conditions where applicable.
Private equity	$113,409,141	51	2-8 years	20,647,367	0 – 2 years	Not redeemable.	Not redeemable.
Real assets	$23,984,517	12	1-6 years	4,983,226	0 – 1 years	Multi-annually or not redeemable.	30 notification days subject to lock-up conditions or not redeemable.
Total	$293,156,680	102		$ 31,443,524			

NOTE 3 – INVESTMENTS (continued)

The Foundation has authorized its investment manager to use derivatives in the active management of the investment portfolio. In the opinion of the Foundation's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategy employed. Using such instruments reduces certain investment risks and may add value to the portfolio. Financial derivative instruments are recorded at fair value in the accompanying Consolidated Statement of Financial Position along with other investments and changes in the fair value are reflected in the accompanying statements of activities within investment income, net.

The following table lists the fair value of derivatives by contract type as included in the Consolidated Statement of Financial Position at December 31, 2011. This table excludes exposures relating to derivatives held indirectly through comingled funds. The derivative instruments are not designated as hedging instruments under ASC 815.

	Notional Value	Fair Value
Commodity Hedges	$ 21,280,319	$ 1,050,296
Interest rate swaps	407,500,000	404,770
Public Equity Hedges	150,770,272	(268,024)
Total derivatives	$579,550,591	$ 1,187,042

The realized gain recognized for derivative instruments for the year ended December 31, 2011, was $1,798,578.

The Foundation may enter into hedge contracts to manage exposure to changes in the prices of U.S. Treasury debt securities noted as interest rate swaps above. The Foundation may enter into put and call contracts and forward contracts to manage exposure to change in the price of gold and oil noted as commodity hedges above. The Foundation may enter into equity swaps and futures contracts to manage exposure to certain global equity markets referred to as public equity hedge above. The Foundation has additional exposure to derivatives through commingled funds. Individual derivative contracts involve, to varying degrees, risk of loss arising from the possible inability of counterparties to meet the terms of the contracts. However, the Foundation minimizes such risk exposure by limiting counterparties to major financial institutions. The Foundation does not expect to record any losses as a result of counterparty default.

The investment assets of the Foundation are held in custody by a major financial services firm, except for assets invested with partnerships and commingled funds, which have separate arrangements related to their legal structure.

NOTE 3 – INVESTMENTS (continued)

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such change could materially affect the amounts reported in the financial statements.

As of December 31, 2011, the Foundation is committed to invest additional funding of $32,258,257 in limited partnerships and similar interests.

As of December 31, 2011, the Foundation's Board had approved funding an additional $8,405,024 in program related investments in the form of loans and other investments.

Investment loss reported in the Consolidated Statements of Activities was comprised of the following for the year ended December 31, 2011:

Dividend and interest income	$ 7,516,249
Net realized and unrealized gain/(loss) on investments	(10,010,990)
Investment expenses:	
Contributed investment management expenses	(1,929,370)
Third party investment management expenses	(1,386,696)
Program Related Investment and other expenses	(744,392)
Investment loss, net	$ (6,555,199)

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011:

Computers and software	$ 296,850
Furniture and fixtures	290,842
Leasehold Improvements	209,906
	797,598
Less accumulated depreciation and amortization	(550,211)
Property and equipment, net	$ 247,387

NOTE 5 – GRANTS PAYABLE

Grants are recorded as grants payable when they are approved. Some of the grants are payable in installments, generally over a three-year period. At December 31, 2011, grants payable were discounted using a rate of 3.25%. Grants authorized but unpaid at December 31, 2011 were payable as follows:

	Due in 1 Year	Due in 1-5 Years	Total
Grants outstanding	$ 12,161,208	$ 645,000	$ 12,806,208
Discount	(-)	(22,571)	(22,571)
Grants payable, net	$ 12,161,208	$ 622,429	$ 12,783,637

NOTE 6 – FEDERAL EXCISE TAX

The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and the California Franchise Tax Board has determined that the Foundation is exempt from California franchise and/or income tax under section 23701(d) of the Revenue and Taxation Code. The Foundation is subject to federal excise tax imposed on private foundations at 2% or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined by federal regulations. The Foundation qualified for a 2% excise tax rate for fiscal 2011. The Foundation provides for deferred federal excise tax on unrealized gains on investments at a rate of 2%, which is an estimate of the effective rate expected to be paid. The components of the Foundation's federal excise tax expense (benefit) in the statements of activities are as follows:

Current	$ 327,275
Deferred	(601,772)
Federal excise tax benefit	$ (274,497)

NOTE 7 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Foundation purchased tax and accounting services from a firm, a principal of which is also a Director of the Foundation. The Foundation paid an immaterial amount for these services. In addition, investment management and facility services were contributed by a firm, as discussed in Note 2, a principal of which is also a Director of the Foundation. The Foundation's contribution of services to the Skoll Fund is also discussed in Note 2. Certain board members of the Skoll Fund also sit on the board of the Foundation.

NOTE 8 – RETIREMENT PLAN

The Foundation sponsors a defined contribution plan (the "Plan") under Internal Revenue Code Section 403(b). The Plan covers all employees who meet eligibility requirements. Employer contributions to the 403(b) Plan are made monthly and vest immediately. Total expenses related to the Plan were approximately $719,223 and for the period ended December 31, 2011.

NOTE 9 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 9, 2012, the date the consolidated financial statements were issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.