Sand Hill Foundation

Financial Statements

December 31, 2023 and 2022

Frank, Rimerman + Co. LLP

Board of Directors
Sand Hill Foundation
Menlo Park, California

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Sand Hill Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and change in net assets and cash flows for the year ended December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the year ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Frank, Rimerman & Co. LLP

San Jose, California
September 23, 2024

Sand Hill Foundation
Statements of Financial Position

	December 31, 2023	December 31, 2022
ASSETS		
Investments, at fair value	$ 96,589,917	$ 92,505,469
Program-Related Investment, at fair value	298,991	463,977
Interest Receivable	46,694	49,593
Prepaid Expenses	87,588	87,594
Other Assets	7,080	7,080
Office Property and Furniture, net	76,471	83,737
Right of Use Asset, net	114,235	153,556
Total assets	$ 97,220,976	$ 93,351,006
LIABILITIES AND NET ASSETS		
Due to Financial Institution	$ 604,460	$ 417,472
Accounts Payable	49,131	50,712
Grants Payable, net of discount	5,205,843	6,069,612
Deferred Excise Tax Liability	216,000	115,000
Operating Lease Liability	114,235	153,556
Total liabilities	6,189,669	6,806,352
Commitments (Notes 4, 6 and 7)		
Net Assets Without Donor Restrictions	91,031,307	86,544,654
Total liabilities and net assets	$ 97,220,976	$ 93,351,006

See Notes to Financial Statements

Sand Hill Foundation
Statement of Activities and Change in Net Assets
Year Ended December 31, 2023

Return on Investments	
Investment income, net	$ 10,282,806
Net income on investments	10,282,806
Expenses	
Program services:	
Charitable grants	4,473,631
Support services:	
Payroll and related expenses	278,524
General and administrative expenses	942,998
Total support services	1,221,522
Total expenses	5,695,153
Change in Net Assets Before Excise Tax	4,587,653
Excise Tax Expense	(101,000)
Change in Net Assets Without Donor Restrictions	4,486,653
Net Assets Without Donor Restrictions, December 31, 2022	86,544,654
Net Assets Without Donor Restrictions, December 31, 2023	$ 91,031,307

Sand Hill Foundation
Statement of Cash Flows
Year Ended December 31, 2023

Cash Flows from Operating Activities	
Change in net assets	$ 4,486,653
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Return on investments, net	(10,282,806)
Amortization of discount on grants payable	148,231
Depreciation	7,266
Amortization of right of use asset	39,321
Changes in operating assets and liabilities:	
Interest receivable	2,899
Prepaid expenses	6
Accounts payable	(1,581)
Grants payable	(1,012,000)
Operating lease liability	(39,321)
Net cash used in operating activities	(6,550,332)
Cash Flows from Investing Activities	
Purchase of investments	(3,567,651)
Proceeds from investments	9,930,995
Net cash provided by investing activities	6,363,344
Cash Flows from Financing Activities	
Due to financial institution	186,988
Net cash provided by investing activities	186,988
Net Change in Cash	-
Cash, December 31, 2022	-
Cash, December 31, 2023	$ -

See Notes to Financial Statements

1. Organization

The Sand Hill Foundation (the Foundation) is a not-for-profit grant making private foundation incorporated in March 1995 to provide support to a variety of not-for-profit organizations. The Foundation's support in 2023 was derived from the net return on its investments.

2. Significant Accounting Policies

Basis of Presentation:

The Foundation prepares its financial statements in accordance with accounting standards for not-for-profit organizations generally accepted in the United States of America (GAAP). GAAP requires not-for-profit organizations to segregate net assets into two categories: without donor restrictions and with donor restrictions. Net assets without donor restrictions consist of net assets for which there are no donor-imposed restrictions. Net assets with donor restrictions consist of amounts restricted by the donor for specific purposes or for subsequent periods. The Foundation's net assets are without donor restrictions at December 31, 2023 and 2022.

Contributions of Cash and Other Financial Assets:

The Foundation records contributions and promises to give, in accordance with accounting standards for not-for-profit organizations. GAAP requires contributions received, including unconditional promises to give (pledges), to be recognized as support revenue in the period the pledge is made. The standards also require not-for-profit organizations to distinguish between contributions received increasing net assets without donor restrictions and net assets with donor restrictions, with recognition being made of expiration of donor-imposed restrictions in the period in which the restrictions expire. Historically, all contributions and promises to give received by the Foundation have been without donor restrictions. There were no contributions or promises to give received in 2023.

Donated Services:

Donated services are recognized as contributions at their fair value if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by the Foundation if not donated. The Foundation has recorded no donated services through December 31, 2023.

2. Significant Accounting Policies (continued)

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of investment income (loss) and expenses in the financial statements and related disclosures. Significant estimates established by the Foundation's management consist of the valuation of investments, and the program-related investments (PRI). The fair value assigned by management to the Foundation's investments is considered to be the amount that could be realized from an orderly sale or other disposition of the investments and the PRI. Actual results could differ from those estimates.

Investment Income:

Investment return represents interest earned and net investment gains, net of external and direct internal investment-related expenses. Realized gains and losses on investments represent the difference between the original cost of the investments and the price on the date of their sale or disposal. The difference between the original cost and the estimated current fair value of investments owned at the end of the period represents cumulative unrealized gain or loss. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the Statement of Activities and Change in Net Assets in the period such fluctuations occur.

Charitable Grants:

Grants are recognized as expense when the unconditional promise to give is approved by the Board of Directors (the Board) and communicated to the recipient. Conditional promises to give are recognized as charitable grants in the period in which the recipient meets the terms of the condition.

Functional Expenses:

The costs of providing program and support services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. All expenses are directly identifiable and are charged to the related program or service benefited.

Cash Equivalents:

The Foundation considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

2. Significant Accounting Policies (continued)

Concentration of Credit Risk:

Financial instruments which potentially subject the Foundation to concentration of credit risk consist primarily of cash and cash equivalents, investments and the PRI. Cash and cash equivalents held in investment accounts are classified as investments. Cash deposits held at one major domestic financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Investments and cash and cash equivalent deposits held at a major domestic brokerage are insured by the Securities Investor Protection Corporation up to $500,000, of which $250,000 is for cash equivalent deposits. The Foundation exceeded insurance thresholds at December 31, 2023. The Foundation has hired an outside investment manager to assist the Foundation's Board in managing its investment portfolio and invested cash and cash equivalents.

Program-Related Investment:

In accordance with Section 4944 of the Internal Revenue Code (Code), the Foundation is permitted to make the PRI, for which the Foundation's primary purpose is to further its objectives and for which profit is a secondary incentive. The investment would not be made were it not for the relationship of the investment to, and its furtherance of, the Foundation's mission.

The PRI consists of a loan receivable and is held at cost less a valuation allowance, if necessary, until notice of repayment or conversion to a grant and is monitored by management to determine net realizable value based on evaluation of recoverability after considering the terms of the agreements. Valuation allowances may consist of specific and general components. The specific component relates to a classification as impaired when, based on current information and events, it is probable the Foundation will be unable to collect all amounts due according to the contractual terms of the agreements.

2. Significant Accounting Policies (continued)

Leases:

Effective January 1, 2022 (the Adoption Date), the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases* (Topic 842) which requires all entities that lease assets with terms of greater than twelve months to capitalize leased assets and related liabilities on the Statement of Financial Position, which had not previously required capitalization. The Foundation adopted Topic 842 using the modified retrospective approach for each lease that existed at the Adoption Date. Leases are classified as either an operating or finance lease under Topic 842, with classification affecting the pattern of expense recognition in operations.

The Foundation used practical expedients under Topic 842 that allowed it to not reassess the existing lease or lease classifications and to use hindsight in determining the lease term. The Foundation also elected an accounting policy to not capitalize assets with a lease term of twelve months or less if the lease does not provide an option to purchase the assets at the end of the lease term or an option to extend the lease longer than twelve months that management was not reasonably certain to exercise at the Adoption Date or subsequent lease commencement date. As a result of the practical expedients, there was no adjustment to net assets required at the Adoption Date.

A ROU asset represents the right to use a specified asset for the stated lease term, and a lease liability represents the legal obligation to make lease payments. A ROU asset and liability are recognized at the Adoption Date or subsequent lease commencement date based on the present value of lease payments over the expected lease term. The Foundation uses the implicit interest rate in a lease when it is readily determinable. Since most operating leases do not provide the lessor's implicit interest rate to determine the present value of lease payments, management has elected an accounting policy election to use the risk-free discount rate for a period comparable to the lease term in the application of Topic 842 based on the information available at the Adoption Date or subsequent lease commencement date. A ROU asset also includes any lease payments previously made and excludes any landlord lease incentives offered in the lease.

2. Significant Accounting Policies (continued)

Fair Value Measurement:

The Foundation accounts for its investments under FASB ASC Topic 820, *Fair Value Measurement* (Topic 820). The Foundation uses a three-level hierarchy under Topic 820 for fair value measurement based on the nature of inputs used in the valuation of an asset or liability at the measurement date. The three-level hierarchy prioritizes within the measurement of fair value, the use of market-based information over entity-specific information. Fair value focuses on an exit price and is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing financial assets and liabilities are not necessarily an indication of the risk associated with those assets and liabilities.

The three-level hierarchy for fair value measurement is defined as follows:

Level I: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level II: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level III: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Foundation's investments within the fair value hierarchy include Level I marketable securities and Level III private debt and equity securities. The Foundation's investments in hedge funds, private equity funds, and limited partnerships are valued using the net asset value (NAV) per share of the entity's underlying assets as a practical expedient for determining fair value, as allowed for under Topic 820, and are not categorized within the fair value hierarchy under GAAP.

2. Significant Accounting Policies (continued)

Fair Value Measurement: (continued)

The NAVs of the Foundation's investments in hedge funds, private equity funds, and limited partnerships are based on valuations provided by the managing members and general partners. The Foundation reviews and evaluates the values provided by the managing members and general partners and agrees with the valuation methods and assumptions used in determining the fair value of these non-marketable investments. The value of these non-marketable investments presented in the financial statements are not necessarily indicative of amounts the Foundation could realize upon liquidation of the investments and the difference between the recorded value and the amount realized could be material to the financial statements.

The Foundation accounts for its investment in the private equity securities at cost, less any impairment loss, until the securities have readily determinable fair value in accordance with FASB ASC Topic 321, *Investments – Equity Securities*. Impairment of the private equity security is determined by assessing the investment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If a private equity security is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the investment exceeds its fair value, less costs to sell. The remeasurement may be determined by referencing unobservable inputs, including sales of similar companies, key performance metrics and audited financial statements of the invested company, if available. Impairment losses cannot be reversed for cost basis investments.

Upon observable evidence of fair value being made available, the Foundation accounts for private equity security and loan receivables under Topic 820 on a nonrecurring basis. As such, they are categorized under Level III of the fair value hierarchy.

The fair value of private debt is estimated based on its net realizable value as determined by management after giving consideration to the terms of the note agreement, accrued interest, preferential payment multiples and conversion factors.

Grants payable are valued at fair value and discounted using a risk-adjusted rate at the date of grant and each subsequent reporting date and are classified as Level II liabilities under the fair value hierarchy.

2. Significant Accounting Policies (continued)

Excise and Income Taxes:

The Foundation has been determined to be exempt from federal income taxes under Section 501(a) of the Code and has been classified as a private foundation within the meaning of Section 509(a) of the Code. The Foundation is exempt from California income taxes under Section 23701 of the California Revenue and Taxation Code.

The Foundation is subject to a federal excise tax on its net investment income at a rate of 1.39% under Section 4940(a) of the Code.

Under Section 4942 of the Code, the Foundation is required to annually distribute 5% of the aggregate fair value of the Foundation's assets other than those used or held directly in carrying out the Foundation's exempt purpose. A tax of 30% is imposed if the Foundation does not make the required distributions. In addition, the Foundation is subject to federal and California income tax at the corporate income tax rate of 21% and 8.84%, respectively, for any unrelated business income generated by its non-marketable investments. The Foundation does not believe it had any income subject to unrelated business income in 2023.

The Foundation applies the provisions set forth in FASB ASC Topic 740*, Income Taxes*, to account for the uncertainty in income taxes. The Foundation has assessed its income tax positions taken where the statute of limitations remains open. The Foundation believes its tax filing positions will be sustained upon tax examinations and therefore, no liability for uncertain income tax positions has been recorded through December 31, 2023. The Foundation does not anticipate any significant increases or decreases to uncertain income tax positions during the next twelve months.

The Foundation files excise tax returns in the federal and state of California jurisdictions. The Foundation is subject to federal and state examinations by tax authorities for three years and four years from the date of filing, respectively.

3. Liquidity and Availability of Resources

As part of its liquidity management, the Foundation structures its financial assets to be available to align the timing of grant disbursements and normal operating expenses.

The table below represents assets available for general expenditures within one year at December 31, 2023:

Investments	$ 96,589,917
PRI	298,991
Interest receivable	46,694
	96,935,602
Less: Financial assets not available within one year:	
Investments in private equity funds	6,633,320
Investments in limited partnerships	8,427,673
Investments in private debt securities	759,231
PRI	298,991
Investment in private equity security	672,889
	16,792,104
Total financial assets available for general expenditures	$ 80,143,498

The table below represents assets available for general expenditures within one year at December 31, 2022:

Investments	$ 92,505,469
PRI	463,977
Interest receivable	49,593
	93,019,039
Less: Financial assets not available within one year:	
Investments in private equity funds	5,753,635
Investments in limited partnerships	6,655,845
Investments in private debt securities	743,807
PRI	463,977
Investment in private equity security	672,889
	14,290,153
Total financial assets available for general expenditures	$ 78,728,886

3. Liquidity and Availability of Resources (continued)

The Foundation's Board has determined the hedge fund redemption requirements provide the opportunity for liquidity within one year, upon Board approval of their redemption. As a result, these investments in hedge funds are considered available for general expenditures.

4. Investments

The following table presents the Foundation's investments at December 31, 2023:

	Cost	Level I	Level III	NAV	Total
Recurring Fair Value Measurement:					
Cash and cash equivalents	$	$ 2,161,892	$	$	$ 2,161,892
Equity securities:					
Domestic		26,477,289			26,477,289
International		22,475,453			22,475,453
Domestic mutual funds		28,296,421			28,296,421
Hedge funds				685,749	685,749
Private equity funds				6,633,320	6,633,320
Limited partnerships				8,427,673	8,427,673
Private debt securities			759,231		759,231
Nonrecurring Fair Value Measurement:					
Private equity security			672,889		672,889
Cost Less Impairment					
PRI	298,991				298,991
Total	$ 298,991	$ 79,411,055	$ 1,432,120	$ 15,746,742	$ 96,888,908

There were no purchases into and no distributions from or transfers into or out of Level III in 2023. There were no upward or downward adjustments made to nonrecurring fair value investments resulting from observable price changes in 2023.

4. Investments (continued)

The following table presents the Foundation's investments at December 31, 2022:

	Cost	Level I	Level III	NAV	Total
Recurring Fair Value Measurement:					
Cash and cash equivalents	$	$ 2,141,972	$	$	$ 2,141,972
Equity securities:					
Domestic		26,386,905			26,386,905
International		15,111,306			15,111,306
Domestic mutual funds		26,991,353			26,991,353
Hedge funds				8,047,757	8,047,757
Private equity funds				5,753,635	5,753,635
Limited partnerships				6,655,845	6,655,845
Private debt securities			743,807		743,807
Nonrecurring Fair Value Measurement:					
Private equity security			672,889		672,889
Cost Less Impairment					
PRI	463,977				463,977
Total	$ 463,977	$ 70,631,536	$ 1,416,696	$ 20,457,237	$ 92,969,446

The following table lists additional information for the NAV investments at December 31, 2023:

Fund Name	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Term End Date*	Redemption Terms
Hedge Funds	Multi-Strategy	$ 685,749	$ -	*	**
Private Equity Funds and Limited Partnerships^	Venture	15,060,993	5,039,174	various dates through 2034	not redeemable
		$ 15,746,742	$ 5,039,174		

* The investment will continue in existence until the term end date, or until the earlier termination of the fund in accordance with provisions of the investor agreement.
** Redemptions require a notice of 30 to 95 days, and can be made at frequencies from monthly to annually.
^ Distributions previously made to the Foundation from private equity and LPs of $1,798,571 are recallable under certain conditions tied to the performance of the investments.

4. Investments (continued)

Program-Related Investment

The Foundation's PRI is strategic funding with the specific objective of furthering the Foundation's charitable purpose. The PRI comprises a 2% interest $500,000 loan receivable, for which repayment is adjusted by certain conditions of the agreement, and which management believes will be fully collectible. At December 31, 2023, $298,891 remains outstanding on the loan ($463,977 at December 31, 2022).

5. Excise and Income Taxes

In 2023, the Foundation did not make any excise tax payment. The Foundation has a prepaid balance related to federal excise tax expense of $87,075 with the Internal Revenue Service and no balance with the California Franchise Tax Board at December 31, 2023 ($87,075 federal and no state prepaid balance at December 31, 2022, respectively). Current excise tax expense in 2023 was $ -.

Deferred federal excise tax at December 31, 2023 and 2022 was estimated at a rate of 1.39% based on the amount of net cumulative unrealized gains on investments recognized for financial statement purposes over the income tax basis of the investments. At December 31, 2023 and 2022, the Foundation has recorded a deferred federal excise tax liability of $216,000 and $115,000, respectively. Deferred excise tax expense in 2023 was $101,000.

6. Grants Payable

Grants payable over more than one year are presented at fair value and discounted using a risk-adjusted rate at the date the grant is made and at each subsequent reporting date (3.38% to 8.29% at December 31, 2023). Changes in fair value are reported in the Statement of Activities and Change in Net Assets as charitable grants.

Grants, net of discount, are payable as follows at December 31:

2024	$ 2,721,000
2025	1,731,000
2026	921,000
	5,373,000
Less: discount on long-term grants payable	(167,157)
	$ 5,205,843

7. Lease Commitments

The Foundation leases its office space under an operating lease, as classified under Topic 842, expiring in February 2025.

The operating lease ROU asset is amortized over the lease term of 3.6 years. At December 31, 2023, the remaining operating lease term was 1.2 years.

Lease expense under the operating lease liability was $108,464 in 2023. Future lease payments under the lease agreement are $95,000 in 2024 and $16,000 in 2025.

8. Subsequent Events

Subsequent events have been evaluated through September 23, 2024, the date the financial statements were available to be issued. No subsequent events were identified that required recognition or disclosure in the Foundation's financial statements.