



*Report of Independent Auditors and
Financial Statements*

Valhalla Foundation

December 31, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors
Valhalla Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Valhalla Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Moss Adams LLP

San Francisco, California

August 11, 2021

Financial Statements

Valhalla Foundation
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 64,339,105	\$ 113,809,012
Accounts receivable	6,727	12,308
Investments held at fair value	723,306,373	215,480,572
Investments in privately-held companies, cost (net of impairment)	9,901,215	9,037,215
Program related:		
Note receivable	506,475	254,914
Prepaid expenses and other assets	<u>-</u>	<u>143,500</u>
Total assets	<u>\$ 798,059,895</u>	<u>\$ 338,737,521</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	\$ 90,058,773	\$ 36,177,612
Accounts payable	<u>2,310,825</u>	<u>578,150</u>
Total liabilities	92,369,598	36,755,762
NET ASSETS		
Without donor restrictions	<u>705,690,297</u>	<u>301,981,759</u>
Total liabilities and net assets	<u>\$ 798,059,895</u>	<u>\$ 338,737,521</u>

Valhalla Foundation
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
REVENUE, GAINS, AND LOSSES		
Contributions	\$ 456,893,610	\$ 242,678,308
Interest and dividend income, net of fees	6,393,156	5,262,766
Impairment on investments in privately-held companies	-	(2,864,772)
Realized gain on investments	782,690	4,004,807
Unrealized gain on investments	55,077,591	8,770,686
Total revenue, gains, and losses	519,147,047	257,851,795
EXPENSES		
Program expenses		
Grants made	108,501,120	49,298,452
Program consultants and services	1,830,000	1,815,501
Professional fees	12,275	17,852
Travel and conferences	5,835	19,039
Total program expenses	110,349,230	51,150,844
Management and general		
Office expenses	43,002	22,696
Professional fees	76,208	119,999
Federal excise tax	4,970,069	5,048,555
Total management and general expenses	5,089,279	5,191,250
Total expenses	115,438,509	56,342,094
CHANGE IN NET ASSETS	403,708,538	201,509,701
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	301,981,759	100,472,058
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	\$ 705,690,297	\$ 301,981,759

Valhalla Foundation
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 403,708,538	\$ 201,509,701
Adjustments to reconcile change in net assets to net cash from operating activities:		
Stock contributions	(136,927,229)	-
Impairment on investments in privately-held companies	-	2,864,772
Realized gain on investments	(782,690)	(4,004,807)
Unrealized gain on investments	(55,077,591)	(8,770,686)
Changes in operating assets and liabilities		
Accounts receivable	5,581	125,393
Accrued interest - note receivable	(1,561)	(4,914)
Prepaid and other assets	143,500	(143,500)
Grants payable	53,881,161	28,302,574
Accounts payable	1,732,675	(137,836)
	<u>266,682,384</u>	<u>219,740,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	295,491,140	10,877,856
Purchase of investments	(610,529,431)	(200,454,140)
Sale of investments of privately-held companies	-	235,849
Purchases of investments of privately-held companies	(864,000)	(4,678,563)
Origination of program related note receivable	(250,000)	(250,000)
	<u>(316,152,291)</u>	<u>(194,268,998)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(49,469,907)	25,471,699
CASH AND CASH EQUIVALENTS, beginning of year	<u>113,809,012</u>	<u>88,337,313</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 64,339,105</u>	<u>\$ 113,809,012</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for taxes	<u>\$ 3,232,723</u>	<u>\$ 5,447,535</u>
Noncash contributions	<u>\$ 136,927,229</u>	<u>\$ -</u>

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

Organization – Valhalla Foundation (the “Foundation”), formerly known as The Valhalla Charitable Foundation, was established in 2003 as a California nonprofit public benefit corporation for the purpose of providing support to charitable organizations. The Foundation’s grant-making activities are currently concentrated in the areas of early childhood development, K12 education, medical research and talent, environmental innovation, and collaborative philanthropy.

The Foundation’s primary sources of revenue are: (i) direct contributions from the founders, (ii) periodic distributions from charitable remainder unitrusts, of which the founders are the trustors, and (iii) investment income.

Basis of accounting – The financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Description of net assets – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Without Donor Restriction is defined as that portion of net assets that has no use or time restrictions.

With Donor Restriction is defined as that portion of net assets that consists of a restriction on the specific use or the occurrence of a certain future event. There were no net assets with donor restriction at December 31, 2020 and 2019.

Income taxes – The Foundation is a private foundation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701d of the Revenue and Taxation Code. The Foundation had no unrecognized tax benefits at December 31, 2020 and 2019. The Foundation files an exempt organization return in the U.S. federal jurisdiction and with the California Franchise Tax Board. The Foundation is not aware of any transactions that would affect its tax-exempt status. For the year ended December 31, 2019, private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the Internal Revenue Code are met) on net investment income, excluding net unrealized gains, as defined. The Foundation’s excise tax rate was 2% for the year ended December 31, 2019. For the year ended December 31, 2020, the excise tax rate for private foundations was 1.39%.

Deferred federal excise taxes arise primarily from unrealized tax basis gains on investments and are calculated at the maximum rate expected to be paid by the Foundation on the excess of fair value over cost, if any, as of the respective year end. For the year ended December 31, 2020, the Foundation recorded a provision of \$1,615,495, for deferred federal excise taxes, that is included in accounts payable on the accompanying statements of financial position. For the year ended December 31, 2019, the Foundation recorded prepaid federal excise tax asset of \$131,000, that is included in prepaid expenses and other assets on the accompanying statements of financial position.

The Foundation is subject to distribution requirements of the Internal Revenue Code. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions.

Valhalla Foundation

Notes to Financial Statements

Cash and cash equivalents – Cash and cash equivalents represent all highly liquid investments, including money-market accounts, with original maturities of three months or less at date of purchase.

Investments held at fair value – Investments are stated at fair value, determined by quoted market prices. Fair values of alternative investments are based on net asset values (“NAV”) as reported by fund managers. Due to the inherent uncertainty of the valuation of these nonmarketable investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed.

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

Investments in privately held companies – Investments in privately held companies represent the unpaid principal balance and accrued interest of notes receivable converted to equity shares of the respective privately held companies per the terms of the note agreement, as well as purchases of equity shares offered directly by the companies.

For the years ended December 31, 2020 and 2019, gross cost basis of the Foundation’s privately held company investments prior to any impairments or realized losses was \$9,901,215 and \$11,901,987, respectively. At each reporting date, the Foundation assesses whether there is evidence that investments in privately held companies are impaired. Impairment occurs when evidence demonstrates that a loss event has occurred after the initial recognition of the investment, and that the loss event has an impact on the future cash flows and carrying value of the investment. For the year ended December 31, 2020, there was no impairment recognized for investments in privately held companies. For the year ended December 31, 2019, the impairment recognized for investments in privately held companies was \$2,864,772.

Program related note receivable – The program related note receivable consists of a loan to a commercial company which supports the Foundation’s charitable objectives and accrued interest related thereto. Management determines the allowance for doubtful accounts by evaluating individual balances and assessing the likelihood of collections. No allowance for doubtful accounts for the program related note receivable has been recorded at December 31, 2020 and 2019, respectively.

Grants payable/expense – Grants are recorded by the Foundation upon approval by the Board of Directors, provided the grant is not subject to future barriers. Grants with payment terms in excess of one year were not subject to discounting as the Foundation believes the discount is insignificant to the financial statements as a whole.

Conditional grants are recognized as grant expenses and as a grant payable in the period in which the grantee meets the terms of the conditions. Conditional grants for the years ended December 31, 2020 and 2019, amounted to \$23,096,562 and \$15,226,682, respectively. The conditions are expected to be met through the year ending December 31, 2025.

Functional expense allocations –The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated among program services and supporting services based on direct usage of resources.

Contribution revenue – Contributions, including donated securities, are recorded at the fair value of the gift at the date of the donation. Subsequent gains or losses on donated securities are recognized in the statements of activities. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. All contributions were considered to be net assets without donor restrictions for the years ended December 31, 2020 and 2019.

Concentration of risk – Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of investment in equity instruments in excess of Securities Investor Protection Corporation insurance limits. The Foundation’s cash has been placed with a major financial institution. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. The Foundation has not experienced any losses in such accounts in the past.

Contingencies – The World Health Organization declared the novel coronavirus outbreak a public health emergency. The duration and economic impact of the outbreak is uncertain, but could have a material impact to the Foundation’s asset base.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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

The Foundation has evaluated subsequent events through August 11, 2021, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments – In accordance with US GAAP, the Foundation determines the fair value of assets and liabilities consistent with a fair value framework that defines fair value for financial reporting, establishes a hierarchy for measuring fair value, and requires additional disclosures about the use of fair value measurements.

Fair value measurement reporting provides a consistent definition of fair value which focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value reporting standards prioritize, within the measurement of fair value, the use of market-based information over entity-specific information and establish a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

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Notes to Financial Statements

For those investments not held at net asset value, the three-level hierarchy for fair value measurements is defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Common stock is valued using quoted market prices.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In certain cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement where Level 1 is the highest and Level 3 is the lowest. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following summarizes the composition of investments, at fair value, at December 31, 2020 and 2019:

	Fair Value as of December 31, 2020			Total
	Level 1	Level 2	Level 3	
Fixed Income Funds				
Domestic	\$ 142,947,651	\$ -	\$ -	\$ 142,947,651
International	46,130,420	-	-	46,130,420
Global Equity	516,873,707	-	-	516,873,707
	<u>\$ 705,951,778</u>	<u>\$ -</u>	<u>\$ -</u>	705,951,778
Measured at NAV				
Alternative Investments				
Venture Capital				<u>17,354,595</u>
Total Investments				<u>\$ 723,306,373</u>

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Notes to Financial Statements

	Fair Value as of December 31, 2019			Total
	Level 1	Level 2	Level 3	
Fixed Income Funds				
Domestic	\$ 46,078,726	\$ -	\$ -	\$ 46,078,726
International	17,437,259	-	-	17,437,259
Global Equity	142,261,598	-	-	142,261,598
	<u>\$ 205,777,583</u>	<u>\$ -</u>	<u>\$ -</u>	205,777,583
Measured at NAV				
Alternative Investments				
Venture Capital				9,702,989
Total Investments				<u>\$ 215,480,572</u>

Alternative investments – The fair values associated with the alternative investments were estimated using the NAV per share (practical expedient) of the underlying investment funds using information provided by the individual fund managers and communications with the fund managers.

Valuation of alternative investments requires significant judgment by the Foundation due to the absence of quoted market values and the long-term nature of such investments.

The following table represents the liquidity and redemption restrictions on alternative investments above:

Strategies	Fair Value at December 31, 2020	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Venture capital	\$ 17,354,595	\$ 8,986,709	Illiquid	N/A

NOTE 3 – INVESTMENTS IN PRIVATELY HELD COMPANIES

Investments held in privately-held companies are recorded at cost less impairment. The following is a summary of investments December 31:

	2020	2019
Privately-held companies		
Equities	\$ 9,901,215	\$ 11,901,987
Impairment	-	(2,864,772)
Total	<u>\$ 9,901,215</u>	<u>\$ 9,037,215</u>

The investments are in companies that are privately held and in early stages of growth. The Foundation's privately-held company investments seek capital appreciation and alignment with the Foundation's charitable objectives, and are dependent upon the performance of these companies. Distributions from the Foundation's investments are dependent on a secondary market and the demand for such non-publicly traded stock.

Valhalla Foundation

Notes to Financial Statements

The Foundation does not maintain direct operational control of these privately-held companies.

NOTE 4 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation’s financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year as of December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 64,339,105	\$ 113,809,012
Accounts receivable	6,727	12,308
Note receivable - program related	506,475	254,914
Investments held at fair value	723,306,373	215,480,572
Investments in privately held companies held at cost (net of impairment)	<u>9,901,215</u>	<u>9,037,215</u>
Financial Assets, at December 31:	<u>798,059,895</u>	<u>338,594,021</u>
Less those unavailable for general expenditure within one year, due to:		
Note receivable, collectible beyond one year	506,475	254,914
Investments not convertible to cash within the next 12 months	<u>27,255,810</u>	<u>18,740,204</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 770,297,610</u>	<u>\$ 319,598,903</u>

NOTE 5 – GRANTS PAYABLE

Grants payable by maturity date as of December 31, 2020, are summarized as follows:

<u>Years Ending December 31,</u>		
2021		\$ 33,733,773
2022		19,825,000
2023		18,500,000
2024		13,000,000
2025		<u>5,000,000</u>
Grants payable		<u>\$ 90,058,773</u>

NOTE 6 – RELATED PARTY TRANSACTIONS AND CONCENTRATIONS

For the years ended December 31, 2020 and 2019, the Foundation received 100% of its contributions from either (i) direct contributions from the founders, and/or (ii) periodic distributions from charitable remainder unitrusts, of which the founders are the trustors.

