



*Report of Independent Auditors and
Financial Statements*

Valhalla Foundation

December 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors
Valhalla Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Valhalla Foundation (the “Foundation”), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, 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 Valhalla Foundation as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Valhalla Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management’s Responsibility 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 Valhalla Foundation’s ability to continue as a going concern within one year after the date that 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 GAAS, 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 Valhalla 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 Valhalla 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.

Mass Adams LLP

San Francisco, California
July 13, 2022

Financial Statements

Valhalla Foundation
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 38,428,809	\$ 64,339,105
Accounts receivable	10,185	6,727
Investments held at fair value	792,071,348	723,306,373
Investments in privately-held companies, cost (net of impairment)	8,514,203	9,901,215
Program related:		
Note receivable	<u>516,329</u>	<u>506,475</u>
 Total assets	 <u><u>\$ 839,540,874</u></u>	 <u><u>\$ 798,059,895</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	\$ 127,202,109	\$ 90,058,773
Accounts payable	<u>808,560</u>	<u>2,310,825</u>
 Total liabilities	 128,010,669	 92,369,598
NET ASSETS		
Without donor restrictions	<u>711,530,205</u>	<u>705,690,297</u>
 Total liabilities and net assets	 <u><u>\$ 839,540,874</u></u>	 <u><u>\$ 798,059,895</u></u>

Valhalla Foundation
Statements of Activities
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE AND GAINS		
Contributions	\$ -	\$ 456,893,610
Interest and dividend income, net of fees	13,795,315	6,393,156
Realized gain on investments	35,075,865	782,690
Unrealized gain on investments	58,953,149	55,077,591
	<u>107,824,329</u>	<u>519,147,047</u>
EXPENSES		
Program expenses		
Grants made	97,288,719	108,501,120
Program consultants and services	1,927,625	1,830,000
Professional fees	50,000	12,275
Memberships and subscriptions	3,896	-
Travel and conferences	2,352	5,835
	<u>99,272,592</u>	<u>110,349,230</u>
Management and general		
Office expenses	20,559	43,002
Professional fees	64,993	76,208
Federal excise tax	2,626,277	4,970,069
	<u>2,711,829</u>	<u>5,089,279</u>
Total expenses	<u>101,984,421</u>	<u>115,438,509</u>
CHANGE IN NET ASSETS	5,839,908	403,708,538
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	<u>705,690,297</u>	<u>301,981,759</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	<u>\$ 711,530,205</u>	<u>\$ 705,690,297</u>

Valhalla Foundation
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,839,908	\$ 403,708,538
Adjustments to reconcile change in net assets to net cash from operating activities:		
Stock contributions	-	(136,927,229)
Realized gain on investments	(35,075,865)	(782,690)
Unrealized gain on investments	(58,953,149)	(55,077,591)
Changes in operating assets and liabilities		
Accounts receivable	(3,458)	5,581
Accrued interest - note receivable	(9,854)	(1,561)
Prepaid and other assets	-	143,500
Grants payable	37,143,336	53,881,161
Accounts payable	(1,502,265)	1,732,675
	<u>(52,561,347)</u>	<u>266,682,384</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	200,787,725	295,491,140
Purchase of investments	(175,523,686)	(610,529,431)
Purchases of investments of privately-held companies	(999,999)	(864,000)
Sale of investments in privately-held companies	2,387,011	-
Origination of program related note receivable	-	(250,000)
	<u>26,651,051</u>	<u>(316,152,291)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(25,910,296)	(49,469,907)
CASH AND CASH EQUIVALENTS, beginning of year	<u>64,339,105</u>	<u>113,809,012</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 38,428,809</u>	<u>\$ 64,339,105</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for taxes	<u>\$ 4,190,000</u>	<u>\$ 3,232,723</u>
Noncash contributions	<u>\$ -</u>	<u>\$ 136,927,229</u>

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

Organization – Valhalla Foundation (the “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, data literacy, 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, 2021 and 2020.

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, 2021 and 2020. 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. Private foundations are liable for an excise tax of 1.39% on net investment income, excluding net unrealized gains, as defined.

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 years ended December 31, 2021 and 2020, the Foundation recorded a provision for deferred federal excise taxes of \$45,803 and \$1,615,495, respectively. The provision for deferred federal excise taxes is included in accounts payable 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.

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.

Valhalla Foundation

Notes to Financial Statements

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 purchases of equity shares offered directly by the companies.

For the years ended December 31, 2021 and 2020, net cost basis of the Foundation's privately-held company investments prior to any impairments or realized losses was \$8,514,203 and \$9,901,215, 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 years ended December 31, 2021 and 2020, there was no impairment recognized for investments in privately-held companies.

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, 2021 and 2020.

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, 2021 and 2020, amounted to \$18,332,109 and \$23,096,562, respectively. The conditions are expected to be met through the year ending December 31, 2026.

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. There were no contributions received for the year ended December 31, 2021. All contributions were considered to be net assets without donor restrictions for the year ended December 31, 2020.

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 July 13, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments – In accordance with U.S. 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.

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.

Valhalla Foundation

Notes to Financial Statements

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, 2021 and 2020:

	Fair Value as of December 31, 2021			Total
	Level 1	Level 2	Level 3	
Fixed Income Funds				
Domestic	\$ 185,234,491	\$ -	\$ -	\$ 185,234,491
International	56,068,919	-	-	56,068,919
Global Equity	516,782,060	-	-	516,782,060
	<u>\$ 758,085,470</u>	<u>\$ -</u>	<u>\$ -</u>	758,085,470
Measured at NAV				
Alternative Investments				
Venture Capital				<u>33,985,878</u>
Total Investments				<u>\$ 792,071,348</u>
	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>

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.

Valhalla Foundation
Notes to Financial Statements

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

Strategies	Fair Value at December 31, 2021	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Venture capital	\$ 33,985,878	\$ 41,592,706	Illiquid	N/A

The Foundation's venture capital investment strategy seeks capital appreciation in companies across a broad range of business stages. The venture capital investments are valued no less than quarterly based on the net asset value reported by the fund manager as the practical expedient.

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 as of December 31:

	<u>2021</u>	<u>2020</u>
Privately-held companies		
Equities	\$ 11,378,975	\$ 12,765,987
Impairment	<u>(2,864,772)</u>	<u>(2,864,772)</u>
Total	<u>\$ 8,514,203</u>	<u>\$ 9,901,215</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.

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, 2021 and 2020, 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.

Valhalla Foundation

Notes to Financial Statements

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

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 38,428,809	\$ 64,339,105
Accounts receivable	10,185	6,727
Note receivable - program related	516,329	506,475
Investments held at fair value	792,071,348	723,306,373
Investments in privately-held companies held at cost	<u>8,514,203</u>	<u>9,901,215</u>
Financial assets, at December 31:	<u>839,540,874</u>	<u>798,059,895</u>
Less those unavailable for general expenditure within one year, due to:		
Note receivable, collectible beyond one year	516,329	506,475
Investments not convertible to cash within the next 12 months	<u>42,500,081</u>	<u>27,255,810</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 796,524,464</u>	<u>\$ 770,297,610</u>

NOTE 5 – GRANTS PAYABLE

Grants payable by maturity date as of December 31, 2021, are summarized as follows:

<u>Years Ending December 31,</u>	
2022	\$ 46,625,443
2023	37,303,334
2024	27,553,334
2025	10,053,334
2026	2,833,332
Thereafter	<u>2,833,332</u>
Grants payable	<u>\$ 127,202,109</u>

NOTE 6 – RELATED PARTY TRANSACTIONS AND CONCENTRATIONS

For the year ended December 31, 2020, 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. The Foundation did not receive any contributions for the year ended December 31, 2021.

