Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

Skoll Foundation

December 31, 2009

Contents

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Report of Independent Certified Public Accountants

Board of Directors
Skoll Foundation

We have audited the accompanying statement of financial position of Skoll Foundation (the "Foundation") as of December 31, 2009 and the related statements of activities and cash flows for the six months 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 financial statements referred to above present fairly, in all material respects, the financial position of Skoll Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

San Jose, California
September 20, 2010

Skoll Foundation

STATEMENT OF FINANCIAL POSITION

December 31, 2009

ASSETS		
Assets		
Cash	$	2,609,683
Time deposits		3,496,390
Prepaid expenses and deposits		42,923
Federal excise tax refund receivable		807,904
Investments, at fair value		446,458,411
Investments receivable		31,618
Interest and dividend receivable		256,794
Program related investments		9,552,433
Property and equipment, net		41,517
Total assets	$	463,297,673
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	241,548
Investment purchases payable		37,583
Accrued expenses and other liabilities		1,728,115
Grants payable, net		9,706,463
Deferred federal excise tax payable		42,372
Total liabilities		11,756,081
Net assets		451,541,592
Total liabilities and net assets	$	463,297,673

The accompanying notes are an integral part of the financial statements.

Skoll Foundation

STATEMENT OF ACTIVITIES

Six months-ended December 31, 2009

Revenue	
Contributions	$ 1,094,268
Investment income, net	41,875,995
Federal excise tax expense	(70,182)
Total revenue	42,900,081
Expenses	
Grants	6,029,974
Direct charitable expenses	1,546,679
Program and administrative expenses	3,081,999
Total expenses	10,658,652
Other income	
Grants written off	10,000,000
Change in net assets	42,241,429
Net assets, beginning of period	409,300,163
Net assets, end of period	$ 451,541,592

The accompanying notes are an integral part of the financial statements.

Skoll Foundation

STATEMENT OF CASH FLOWS

Six months-ended December 31, 2009

Cash flows from operating activities	
Change in net assets	$ 42,241,429
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	15,469
Net realized and unrealized gain on investments	(40,521,354)
Investment management expenses	207,732
Deferred excise taxes	42,372
Changes in operating assets and liabilities:	
Investment sales receivable	709,570
Interest and dividend receivable	(233,913)
Prepaid expenses and deposits	9,075
Federal excise tax refund receivable	27,810
Accounts payable	112,886
Investment purchases payable	4,065
Accrued expenses and other liabilities	1,225,610
Grants payable, net	(9,186,604)
Net cash used in operating activities	(5,345,854)
Cash flows from investing activities	
Purchase of property and equipment	(25,513)
Program related investment	(647,447)
Purchase of time deposits	(3,496,390)
Purchases of investments	(123,559,906)
Proceeds from the sale of investments	133,256,180
Net cash provided by investing activities	5,526,923
Net increase in cash	181,069
Cash, at beginning of period	2,428,614
Cash, at end of period	$ 2,609,683
Supplemental data for non-cash activities	
Cash paid for excise taxes	$ -
Cash paid for interest	$ 199

The accompanying notes are an integral part of the financial statements.

Skoll Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 other innovators dedicated to solving 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Effective July 1, 2009, the Foundation changed its reporting periods from one ending June 30 to one ending December 31. These financial statements cover the six-month period ended December 31, 2009.

The Foundation recognizes contributions as revenue in the period received. For the period ended December 31, 2009, all activities of the Foundation were classified as unrestricted due to the lack of donor-imposed restrictions.

Cash

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

Time Deposits

Time deposits consist of two short term foreign currency denominated deposits maintained at a major commercial bank.

Investments

Investments are recorded at fair value, determined in accordance with the provisions of ASC 820, *Fair Value Measurements and Disclosures*. 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:

- 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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. If quoted market prices are not available or accessible for equity securities, then fair values are estimated using a market approach which utilizes quoted prices of similar securities traded in an active market or an income approach which relies on discounted cash flow ("DCF") models. The significant inputs used for domestic and international equities include prices, revenues, earnings, and earnings before interest, taxes, depreciation, and amortization ("EBITDA") for similar securities traded on an exchange as well as cash flow forecasts, earnings, and EBITDA of the investee entities. The fair values of securities estimated using the pricing models 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, 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 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 statements of financial position with changes in the fair value reflected in the accompanying statements of activities.

Investments in partnerships and limited liability companies (LLC's) 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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

The Foundation's basis in contributions of appreciated property equals fair value on the date of contribution. The fair value of contributed stock is established as the average of the market high and low transaction prices on the date the gift is received. However, for tax purposes, the Foundation's basis is equal to that of the donor. This difference in the basis of contributions for financial statements and tax purposes results in larger net realized gains on investments for tax purposes, which increases taxable investment income correspondingly.

Cash equivalents categorized as investments represent money market mutual funds.

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, 2009 include $6,449,999, of loans made directly to organizations and valued at loan principal amount; $1,017,345, invested in private equity funds and valued at cost which approximates fair value; and $2,085,090 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, 2009. Management has reviewed all program related investments and believes no impairment allowance is necessary as of December 31, 2009.

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.

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 $1,094,269 for the period ended December 31, 2009. 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Fair Value of Financial Instruments

The carrying amounts of cash, investment sales receivable and purchases payable, interest and dividends receivable, 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 ("FDIC") 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, 2009. Transactions in foreign currencies are translated into U.S. Dollars at the exchange rate prevailing on the transaction date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements

In 2008, FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. In 2009, FAS 161 was updated and codified as FASB Account Standards Codification ("ASC") 815-10-50. The Foundation adopted the provisions of ASC 815-10-50 effective July 1, 2009. This requires enhanced disclosures to provide additional information regarding the accounting treatment for derivatives and hedging activities, the reasons the Foundation's managers invest using derivative instruments, and the effect derivatives have on the Foundation's financial statements. It requires qualitative disclosures about the fair value of, and gains and losses on, derivative instruments, as well as disclosures about credit risk related contingent features in derivative agreements.

The standard enhances the disclosure requirements for derivative instruments and related hedging activities and thus, the adoption of the standard had no impact on the statement of financial position of statement of activities. The Foundation does not designate any derivative instruments as hedging instruments under ASC 815.

In April 2009, FASB issued ASC Topics 820-10-35, 50 and 55 (formerly FAS 157-4), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased*. This provides additional guidance on estimating the fair value of an asset where the level of activity has decreased significantly, and affirms that the objective fair value is the price that would be received to sell the asset in an orderly transaction, even when the market for the asset is not active. The Foundation adopted ASC topics 820-10-35, 50 and 55 effective July 1, 2009.

In September 2009, the FASB issued FASB Accounting Standards Update ("ASU") 2009-12 *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* to amend the guidance in US GAAP for measuring the fair value of investments in certain entities that do not have a quoted market price, but calculate net asset value (NAV) per share or its equivalent. Such investments, sometimes referred to as alternative investments, include certain hedge funds, private equity funds, real estate funds, venture capital funds and offshore funds. As a practical expedient, the amendments in ASU 2009-12 permit, but do not require, a reporting entity to measure the fair value of an investment in an investee within the scope of the ASU based on the investee's NAV per share or its equivalent. The guidance in ASU 2009-12 applies to all reporting entities that hold an investment that is required or permitted to be measured or disclosed at fair value, provided that (1) it is not probable it will sell the investment at an amount different from net asset value per share or its equivalent, and (2) at the measurement date, the investment's fair value is not readily determinable and the investee meets the criteria of an investment company as specified in ASC 946, *Financial Services— Investment Companies*, 10-15-2, or similar measurement principles.

The Foundation has adopted ASU 2009-12 with respect to its alternative investments meeting the criteria of the ASU and, accordingly, has utilized the practical expedient. The adoption did not have a material effect on the financial statements.

In June 2009, FASB ASC 105 was issued, which established the FASB Accounting Standards Codification as the source of authoritative U.S. generally accepted accounting principles recognized by the FASB to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP. The Foundation has applied this guidance in the preparation of the Foundation's financial statements as of December 31, 2009.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

ASC 740-10-25, *Accounting for Uncertainty in Income Taxes,* clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity's uncertain tax positions, if any. The Foundation has accepted ASC 740-10-25 and the adoption of this standard had no material effect on the Foundation's financial statements and no material change is anticipated in the next 12 months.

New Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements. This amends ASC 820 (formerly FAS 157-4) to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. ASU 2010-06 is effective January, 2010. In addition, the guidance requires separate presentation of purchases and sales in Level 3 asset reconciliation; this is effective January, 2011. The adoption of this guidance is not expected to 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, 2009:

Cash equivalents	$10,098,635
Credit Strategies	59,348,395
Derivatives	16,859,949
Fixed Income	50,167,477
Global Equities	80,651,784
Hedge Fund Strategies	73,389,302
Private Equity	88,168,934
Real Assets	67,773,935
	$446,458,411

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 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. Treasuries. 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 into private companies; some of which are made through underlying funds while others are made directly in the private 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, 2009:

	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 10,098,635	--	--	$ 10,098,635
Credit Strategies	--	21,479,760	37,868,635	59,348,395
Derivatives	--	16,859,949	--	16,859,949
Fixed income	12,046,925	38,120,552	--	50,167,477
Global Equities	12,774,823	26,034,310	41,842,651	80, 651,784
Hedge Fund Strategies	--	30,609,737	42,779,565	73,389,302
Private Equity	--	--	88,168,934	88,168,934
Real Assets	--	29,901,794	37,872,141	67,773,935
Total Investments	$ 34,920,383	$163,006,102	$248,531,926	$446,458,411

NOTE 3 – INVESTMENTS (continued)

The following table includes a roll-forward of the amounts for the six months ended December 31, 2009 for investments classified within Level 3:

	Beginning Balance at June 30, 2009	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Net Purchases (Sales and Settlements)	Net Transfers In (Out) of Level 3	Ending Balance at December 31, 2010
Credit Strategies	$ 48,063,335	$ (13,535)	$ 6,610,055	$ 4,375,393	$ (21,166,612)	$ 37,868,636
Global Equities	57,303,619	(2,999,755)	11,497,589	(2,276,231)	(21,682,571)	41,842,651
Hedge Fund Strategies	71,283,293	1,698,991	876,506	(407,066)	(30,672,159)	42,779,565
Private Equity	71,586,057	18,989	8,287,439	8,276,449	--	88,168,934
Real Assets	42,790,813	(750,153)	665,842	3,644,107	(8,478,469)	37,872,140
Total	$291,027,117	$(2,045,463)	$ 27,937,431	$ 13,612,652	$ (81,999,811)	$ 248,531,926

The amount included in the statement of activities for the period attributable to the change in unrealized gains related to Level 3 assets still held at the reporting date was $27,937,431.

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. Per ASU 2009-12, the following table lists the attributes of investments valued using NAV.

	Fair Value	# of Funds	Remaining Life	Unfunded Commitments	Timing to Drawdown Commitments	Redemption Frequency (if currently eligible)	Redemption Restrictions in Place at Year End
Credit Strategies	$42,090,919	13	3 – 9 years	$3,505,150	0 -4 years	Monthly, quarterly, annually, multi-annually with notification days ranging from 45 -120 days subject to lock-up conditions where applicable. Or not redeemable.	N/A
Global Equities	$67,876,961	12	4 – 9 years	$2,016,614	0-1 year	Monthly, quarterly, annually, multi-annually with notification days ranging from 7 – 120 days subject to lock-up conditions where applicable	N/A
Hedge Fund Strategies	$73,389,303	15	4 – 9 years	$0	N/A	Monthly, quarterly, annually, multi-annually with notification days ranging from 5 – 120 days subject to lock-up conditions where applicable	N/A
Private Equity	$81,310,081	51	1–10 years	$45,406,910	0 – 4 years	Not Redeemable	N/A
Real Assets	$44,961,680	23	2–10 years	$26,358,185	0 – 4 years	Annually or multi-annually with 30 days notification or not redeemable subject to lock-up conditions where applicable	None or N/A
Total Investments	$309,628,944	114		$77,286,859			

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 statements 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 statement of financial position at December 31, 2009. 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 Amount / # of Contracts	Fair Value
Interest rate swaps*	22	$15,112,036
Gold collars	$17,064,968	$ 1,747,913
Total derivatives		**$ 16,859,949**

*These derivative instruments are reported based on the number of contracts.

The only realized gain (loss) recognized for derivative instruments for the six months ended December 31,2009, relates to foreign exchange contracts for which a gain of $5,798,192 was realized. These contracts were settled prior to December 31, 2009.

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 to manage exposure to change in the price of gold noted as gold collars 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, 2009, the Foundation is committed to invest additional funding of $97,107,759 in limited partnerships and similar interests.

As of December 31, 2009, the Foundation's Board had approved funding an additional $11,144,639 in program related investments in the form of loans and other investments.

Investment income reported in the statements of activities was comprised of the following for the period ended December 31, 2009:

Dividend and interest income	$ 2,476,335
Net realized and unrealized gain/ (loss) on investments	40,521,354
Investment expenses:	
Contributed investment management expenses	(835,500)
Third party investment management expenses	(272,400)
PRI Investment and other expenses	(13,795)
Investment income, net	$ 41,875,995

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2009:

Computers and software	$ 218,709
Furniture and furnishings	218,273
	436,982
Less accumulated depreciation and amortization	(395,465)
Property and equipment, net	$ 41,517

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, 2009, grants payable were discounted using rates ranging from 3.25% to 5.0%. Grants authorized but unpaid at June 30, 2009 are payable as follows:

	Due in 1 Year	Due in 1-5 Years	Total
Grants outstanding	$ 5,382,478	$ 4,670,488	$ 10,052,966
Discount	-	346,503	346,503
Grants payable, net	$ 5,382,478	$ 4,323,985	$ 9,706,463

During the period ending December 31, 2009 the Foundation terminated an unpaid grant liability of $10,000,000 resulting in a net credit to grant expenses on the Statement of Activities. During the same period the Skoll Fund, a related party, accepted and recorded this grant liability.

NOTE 6 – LINE OF CREDIT

As of December 31, 2009 the Foundation had drawn $1,193,315 against a line of credit with a major financial institution. The line of credit is fully collateralized by the Foundation's investments in U.S. Treasury debt securities. The interest rate on the line equals the 30-day London Interbank Offering Rate plus 1% and the rate is reset monthly. The maximum amount of this margin credit facility is 95% of the value of the Foundation's U.S. Treasury debt securities. Interest paid on the line of credit during the period ending December 31, 2009 was $199.

NOTE 7 – 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 the period of the financial statements. The Foundation had no income subject to the excise tax for the period ended December 31, 2009. The Foundation provides for deferred federal excise tax on unrealized gains on investments at a rate of 1%, which is an estimate of the effective rate expected to be paid. The components of the Foundation's federal excise tax expense in the statements of activities are as follows:

Current	$ 27,810
Deferred	42,372
Federal excise tax expense	$ 70,182

NOTE 8 – RELATED PARTY TRANSACTIONS

During the period ended December 31, 2009, the Foundation purchased tax and accounting services from a firm, a principal of which is also a Director of the Foundation. The Foundation paid expenses of $3,225, 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 9 – 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 $275,944 and for the period ended December 31, 2009.

NOTE 10 – SUBSEQUENT EVENTS

Effective January 1, 2010, a new private foundation, the Skoll Global Threats Fund, commenced operations as a membership organization with the Skoll Foundation as its sole member. In the future, the Skoll Foundation and Skoll Global Threats Fund will be consolidated into the Foundation for purposes of financial statement presentation.

The Foundation received contributions from its founder valued at $1,643,398 subsequent to December 31, 2009.

The Foundation has evaluated subsequent events through September 20, 2010, the date the financial statements were issued.