

DRAPER RICHARDS KAPLAN
FOUNDATION

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Draper Richards Kaplan Foundation

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
DRAPER RICHARDS KAPLAN FOUNDATION
Menlo Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of **DRAPER RICHARDS KAPLAN FOUNDATION (the Foundation)** which comprise the statement of financial position as of December 31, 2014 and the related statements of activities and changes in net assets and cash flows for the year 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.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit 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 entity'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 entity'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.

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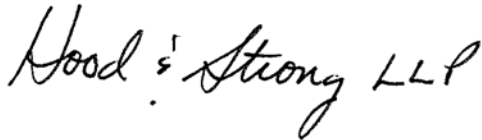
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Draper Richards Kaplan Foundation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2013 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financials from which it has been derived.

A handwritten signature in cursive script that reads "Hood & Strong LLP". The signature is written in black ink and is positioned in the lower-left quadrant of the page.

San Jose, California
June 3, 2015

Draper Richards Kaplan Foundation

Statement of Financial Position

December 31, 2014 (with comparative totals as of December 31, 2013)

	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,652,728	\$ 4,431,719
Investments	22,088,093	19,787,452
Contributions receivable, current	4,000,000	2,783,668
Prepaid expenses and other current assets	46,903	23,788
Total current assets	29,787,724	27,026,627
Contributions Receivable, net of current portion	11,491,787	800,000
Property and Equipment, net	47,600	60,638
Deposits	44,291	44,291
Total assets	\$ 41,371,402	\$ 27,931,556
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 241,232	\$ 235,349
Grants payable	200,000	300,000
Total current liabilities	441,232	535,349
Net Assets:		
Unrestricted	25,438,383	23,812,539
Temporarily restricted	15,491,787	3,583,668
Total net assets	40,930,170	27,396,207
Total liabilities and net assets	\$ 41,371,402	\$ 27,931,556

The accompanying notes are an integral part of this statement.

Draper Richards Kaplan Foundation

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014 (with comparative totals for the year ended December 31, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support:				
Contributions	\$ 4,677,449	\$ 14,591,787	\$ 19,269,236	\$ 3,278,150
Realized investment gains	4,177		4,177	444,350
Unrealized investment gains	250,654		250,654	402,825
Interest and dividends	157,669		157,669	91,458
Net assets released from restrictions	2,683,668	(2,683,668)		
Total revenue and support	7,773,617	11,908,119	19,681,736	4,216,783
Expenses:				
Direct grants to nonprofit organizations	2,825,000		2,825,000	2,475,000
Other program expense	2,427,154		2,427,154	1,784,621
General and administrative	376,438		376,438	368,470
Fundraising	519,181		519,181	215,726
Total expenses	6,147,773		6,147,773	4,843,817
Change in Net Assets	1,625,844	11,908,119	13,533,963	(627,034)
Net Assets, beginning of year	23,812,539	3,583,668	27,396,207	28,023,241
Net Assets, end of year	\$ 25,438,383	\$ 15,491,787	\$ 40,930,170	\$ 27,396,207

The accompanying notes are an integral part of this statement.

Draper Richards Kaplan Foundation

Statement of Cash Flows

Year Ended December 31, 2014 (with comparative totals for the year ended December 31, 2013)

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ 13,533,963	\$ (627,034)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	20,350	22,535
Realized gain on investments	(4,177)	(444,350)
Unrealized gain on investments	(250,654)	(402,825)
Change in operating assets and liabilities:		
Contributions receivable	(11,908,119)	2,675,000
Prepaid expenses	(23,115)	(6,119)
Deposits		(30,691)
Accounts payable and accrued liabilities	5,883	71,587
Grants payable	(100,000)	
Net cash provided by operating activities	1,274,131	1,258,103
Cash Flows from Investing Activities:		
Purchase of property and equipment	\$ (7,312)	\$ (49,126)
Proceeds from sale or redemption of investments	16,792,979	14,624,302
Purchase of investments	(18,838,789)	(22,757,807)
Net cash used for investing activities	(2,053,122)	(8,182,631)
Net Change in Cash and Cash Equivalents	(778,991)	(6,924,528)
Cash and Cash Equivalents, beginning of year	4,431,719	11,356,247
Cash and Cash Equivalents, end of year	\$ 3,652,728	\$ 4,431,719

Supplemental Disclosures:

Excise taxes paid	\$ 28,000	\$ 10,407
There was no amount paid for interest in 2014 or 2013.		

The accompanying notes are an integral part of this statement.

Draper Richards Kaplan Foundation

Notes to Financial Statements

Note 1 - Organization:

Established in 2002, the Draper Richards Kaplan Foundation (DRK) is a private operating foundation based in Menlo Park, California. The primary purpose of DRK is to encourage and support the development of new charitable organizations that can help solve some of society's most complex problems. DRK carefully vets exceptional social entrepreneurs who have the capability to lead and scale their organizations in response to these challenges. DRK provides unrestricted grants over a three-year period aggregating \$300,000. As part of the support, each DRK portfolio organization receives substantial resources, including board service for the duration of the grant cycle by a senior member of the DRK team as well as advice and training on strategic planning, board development, fundraising, organizational development and leadership. In addition, DRK provides portfolio organizations with access to DRK's networks and consultants with expertise and specialized skills to help these organizations grow. DRK provides each of these organizations with leadership development opportunities during the grant period including an annual 3-day retreat designed to help each organization achieve their objectives. Together, with each organization's leadership, DRK develops strategic goals for the nonprofit organization that can be measured on a yearly basis and over the grant cycle.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements of DRK have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

b. Description of Net Assets

DRK reports its financial position and operating activities in three classes of net assets:

Unrestricted Net Assets – those assets not subject to donor imposed restrictions and over which the Board of Directors has discretionary control in carrying out the operations of DRK.

Temporarily Restricted Net Assets – those assets which are subject to a donor imposed restriction and for which the applicable timing or purpose restriction was not met as of the end of the current reporting period.

Permanently Restricted Net Assets – those assets which are subject to a non-expiring donor imposed restriction, such as an endowment. At December 31, 2014 there were no permanently restricted net assets.

Draper Richards Kaplan Foundation

Notes to Financial Statements

c. Contributions

Contributions are recognized at their fair value when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases to unrestricted net assets, if the restrictions are met in the fiscal year in which the contributions are recognized.

DRK evaluates the need for an allowance for doubtful contributions receivable on a specific identification method.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restrictions.

d. Property and Equipment

Property and equipment purchased by DRK is recorded at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

e. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity period of three months or less.

f. Investments

Investments are stated at their fair value based on quoted market prices, except for investments held by certain investment funds, which are stated at the fund's net asset value of DRK's ownership interest and which approximates fair value. Investments received by donation are recorded at their fair market value on the date received. Realized and unrealized gains or losses are included in the statement of activities and changes in net assets.

g. Fair Value Measurements

DRK classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Fair value 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. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect DRK's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

Draper Richards Kaplan Foundation

Notes to Financial Statements

h. Grants

Grants awarded with an unconditional promise to give are accrued as a liability and expensed when approved. Typically, the first grant payment is considered unconditional and subsequent payments are considered conditional upon the grantee meeting certain milestones.

i. Income Taxes

DRK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and related California statutes. DRK is classified as a private operating foundation and is subject to excise tax on its net investment income. DRK accrues for the excise tax on a current basis. Deferred taxes on net unrealized gains are recorded when material.

Management evaluated DRK's tax positions and concluded that DRK had maintained its tax exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. DRK is generally no longer subject to income tax examination by the U.S. federal authorities for tax years prior to 2011 and state tax authorities for tax years prior to 2010.

j. Expense Allocations

Expenses are allocated between development, general and administrative, fundraising and other program expenses based upon estimates by management.

k. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

l. Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Draper Richards Kaplan Foundation

Notes to Financial Statements

m. Subsequent Events

DRK evaluated subsequent events from December 31, 2014 through June 3, 2015, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - Investments:

Investments consist of the following at December 31, 2014:

Corporate fixed income	\$ 15,191,761
Treasury securities	2,301,187
Municipal bonds	1,149,247
Absolute return fund (a)	2,178,485
Private equity fund (b)	1,267,413
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Total	\$ 22,088,093

(a) Investment in a limited partnership. Redemptions are permitted annually on December 31, if requested by September 15.

(b) Investment in a LLC with a strategy of long-term investment returns which the members are encouraged to contribute to charities of their choice. Redemptions are not permitted. There is \$50,000 remaining of unfunded committed capital. The fund is expected to operate until 2018, unless terminated or otherwise amended.

Composition of investments utilizing fair value measurements at December 31, 2014 is as follows:

	Totals	Level 1	Level 2	Level 3
Corporate fixed income	\$ 15,191,761		\$ 15,191,761	
Treasury securities	2,301,187		2,301,187	
Municipal bonds	1,149,247		1,149,247	
Absolute return fund	2,178,485			\$ 2,178,485
Private equity fund	1,267,413			1,267,413
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Totals	\$ 22,088,093		\$ 18,642,195	\$ 3,445,898

Draper Richards Kaplan Foundation

Notes to Financial Statements

The table below includes a roll forward of the investments classified within Level 3 of the valuation hierarchy:

	Absolute Return Fund	Private Equity Fund	Total
Balance, December 31, 2013	\$ 2,162,663	\$ 1,122,652	\$ 3,285,315
Purchases		20,000	20,000
Distributions		(180,388)	(180,388)
Net realized and unrealized gains	40,185	312,149	352,334
Management fees	(24,363)	(7,000)	(31,363)
Balance, December 31, 2014	\$ 2,178,485	\$ 1,267,413	\$ 3,445,898

Note 4 - Contributions Receivable:

Contributions receivable at December 31, 2014 consist of the following:

Receivable in less than one year	\$ 4,000,000
Receivable in one to five years	12,100,000
	16,100,000
Less discounts to net present value	(608,213)
Total contributions receivable	\$ 15,491,787

Contributions receivable due in more than one year are reflected at the value of estimated future cash flows using a discount rate ranging from 1.06% to 1.64%.

Additionally, DRK has received verbal commitments from certain donors as well as other commitments considered conditional. As of December 31, 2014 these pledges totaled \$4,800,000. These pledges are not reflected in DRK's financial statements until collected.

Draper Richards Kaplan Foundation

Notes to Financial Statements

Note 5 - Property and Equipment:

Property and equipment is as follows at December 31, 2014:

Furniture and fixtures	\$	38,727
Equipment		51,274
Leasehold improvements		7,312
		<hr/>
		97,313
Accumulated depreciation		(49,713)
		<hr/>
Total property and equipment	\$	47,600

Depreciation expense for the year ended December 31, 2014 amounted to \$20,350.

Note 6 - Excise Taxes:

In accordance with applicable Treasury regulations, DRK is classified as a private operating foundation subject to an excise tax of two percent on net investment income, including realized gains. DRK is eligible to reduce its tax liability from two percent to one percent of net investment income if a certain level of distributions, calculated as defined in the Treasury regulations, is attained. Regulations require DRK, as a private operating foundation, to maintain minimum expenditures and assets for direct charitable activities. DRK is in compliance with the regulations.

Draper Richards Kaplan Foundation

Notes to Financial Statements

Note 7 - Grants to Nonprofit Organizations:

During the year ended December 31, 2014, DRK funded or accrued grant payments to the following organizations or their fiscal sponsor:

Avanti Fellows USA	\$	50,000
Care Message		100,000
City Health Works		50,000
Clean Energy Trust		50,000
Compass Working Capital		100,000
Crisis Text Line		50,000
Design Revolution		50,000
Education Superhighway		100,000
Empowerment Plan		100,000
Generation Citizen Inc.		100,000
Global Health Service Corps (SEED)		100,000
Green City Force		25,000
iCivics		50,000
IDEO.org		100,000
Jacaranda Health		100,000
Lava Mae		50,000
Matchbook Learning		100,000
Measures for Justice		50,000
Muso		100,000
MyAgro		100,000
Nest		100,000
Sanergy		100,000
Sirum		50,000
Solar Sister		100,000
Spark Microgrants		50,000
STIR		50,000
Strive Together		100,000
Students for Education Reform		100,000
The Future Project		100,000
Think Unlimited		100,000
Tiyetian Health (Last Mile Health)		100,000
TurboVote		100,000
Upstream		50,000
Watsi		50,000
Wishbone		100,000
Worldreader		50,000
Total Grants	\$	2,825,000

Draper Richards Kaplan Foundation

Notes to Financial Statements

DRK's grant agreements contain conditions that if met by the grantee would commit DRK to future grant payments. These amounts have not been recognized in DRK's financial statements.

Anticipated future payments, as conditions are met, are as follows:

2015	\$	2,950,000
2016		1,750,000
2017		750,000
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Total	\$	5,450,000

Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets as of December 31, 2014 are comprised of contributions receivable. The restrictions thereon will expire by passage of time as payments are received.

Net assets were released from restriction during the year ended December 31, 2014 in the amount of \$2,683,668 representing payments received on the contributions receivable.

Note 9 - Commitments:

Office Lease - Menlo Park

DRK leases its headquarters office in Menlo Park under a five-year lease expiring December 31, 2016. As of December 31, 2014, the lease requires a rental payment of \$13,880 per month plus other operating expenses such as utilities and property taxes.

Office Lease - Boston

DRK leases office space in Boston under a five-year lease beginning March 1, 2013 and continuing through February 28, 2018. As of December 31, 2014, the lease requires a rental payment of \$7,836 per month plus other operating expenses such as utilities and property taxes.

For the year ended December 31, 2014 rent expense was \$271,823.

Future minimum rental payments under the office leases are as follows:

2015	\$	262,225
2016		269,174
2017		99,583
2018		16,652
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Total	\$	647,634

Draper Richards Kaplan Foundation

Notes to Financial Statements

Note 10 - Retirement Plan:

DRK offers eligible employees the opportunity to participate in a 401(k) plan. Employees who have reached the age of 21 years and have at least six months of service are eligible to participate in the plan. After one year of service, DRK may elect to contribute a percentage of each employee's eligible compensation on an annual basis. Employer contributions for the year ended December 31, 2014 amounted to \$194,586.

Note 11 - Related Party Transactions:

DRK has historically been funded by individuals closely associated with the foundation, including certain members of the Board of Directors and individuals related to them. During the year ended December 31, 2014, included in contributions were gifts from related parties that amounted to \$10,576,310. Included in contributions receivable were amounts due from related parties that amounted to \$9,385,316.

Note 12 - Concentrations of Credit Risk:

Financial instruments, which potentially subject DRK to concentrations of credit risk, consist of cash and contributions receivable. Cash balances may, from time to time, exceed Federal Deposit Insurance Corporation insurable limits. DRK has not experienced any losses in such accounts. Contributions receivable are due from various donors. Management evaluates the need for an allowance.