

DRAPER RICHARDS KAPLAN FOUNDATION

DECEMBER 31, 2021

INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

Draper Richards Kaplan Foundation

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A Century Strong

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of **DRAPER RICHARDS KAPLAN FOUNDATION (DRK)**, which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DRK as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 DRK's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee 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 DRK'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 DRK'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.

Report on Summarized Comparative Information

We have previously audited DRK's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
June 15, 2022

Draper Richards Kaplan Foundation

Consolidated Statement of Financial Position

<i>December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets:		
Cash and cash equivalents	\$ 1,906,722	\$ 1,631,473
Investments, at fair value	30,561,650	21,625,842
Contributions receivable, net	16,108,751	11,315,817
Program-related investments, net	5,103,656	3,838,466
Property and equipment, net	56,234	85,817
Other assets	522,672	810,797
Total assets	\$ 54,259,685	\$ 39,308,212
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 834,534	\$ 976,591
Total liabilities	834,534	976,591
Net Assets:		
Without donor restriction	34,442,667	24,941,998
With donor restriction	18,982,484	13,389,623
Total net assets	53,425,151	38,331,621
Total liabilities and net assets	\$ 54,259,685	\$ 39,308,212

See accompanying notes to financial statements.

Draper Richards Kaplan Foundation

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Contributions	\$ 16,432,047	\$ 11,675,587	\$ 28,107,634	\$ 13,507,363
Net investment return	589,863		589,863	932,238
Net assets released from restrictions	6,082,726	(6,082,726)	-	-
Total revenue and support	23,104,636	5,592,861	28,697,497	14,439,601
Expenses:				
Direct grants to beneficiary organizations	3,575,000		3,575,000	4,450,000
Direct program support	7,080,683		7,080,683	5,399,460
Management and general	2,035,465		2,035,465	2,033,400
Fundraising	912,819		912,819	611,789
Total expenses	13,603,967	-	13,603,967	12,494,649
Change in Net Assets	9,500,669	5,592,861	15,093,530	1,944,952
Net Assets, beginning of year	24,941,998	13,389,623	38,331,621	36,386,669
Net Assets, end of year	\$ 34,442,667	\$ 18,982,484	\$ 53,425,151	\$ 38,331,621

See accompanying notes to financial statements.

Draper Richards Kaplan Foundation

Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 15,093,530	\$ 1,944,952
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,915	38,265
Realized and unrealized loss (gain) on investments	535,938	(237,852)
Change in operating assets and liabilities:		
Contributions receivable	(4,792,934)	(1,476,111)
Other assets	288,125	40,460
Accounts payable and accrued liabilities	(142,057)	36,958
Grants payable	-	(50,000)
Net cash provided by operating activities	11,017,517	296,672
Cash Flows from Investing Activities:		
Purchases of investments	(26,084,124)	(9,341,299)
Purchases of program-related investments	(1,265,190)	(976,972)
Purchases of property and equipment	(5,332)	(11,509)
Proceeds from sale or redemption of investments	16,612,378	10,076,025
Net cash used by investing activities	(10,742,268)	(253,755)
Net Change in Cash and Cash Equivalents	275,249	42,917
Cash and Cash Equivalents, beginning of year	1,631,473	1,588,556
Cash and Cash Equivalents, end of year	\$ 1,906,722	\$ 1,631,473

See accompanying notes to financial statements.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

Note 1 - Organization:

Established in 2002, the Draper Richards Kaplan Foundation (DRK) is a not-for-profit organization based in Menlo Park, California. The primary purpose of DRK is to find, fund and support exceptional social enterprises that have the potential to create profound and lasting impact on society's most complex problems. DRK typically provides funding over a three-year period aggregating \$300,000. As part of the support, each DRK portfolio organization receives substantial resources, including a DRK senior team member serving on their board for the duration of the three-year period as well as significant and frequent 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 three-year period including an annual three-day retreat designed to help each organization achieve its objectives. Together, with each organization's leadership, DRK develops strategic goals for the social enterprise that can be measured on a yearly basis and over the three-year period. Between inception and December 31, 2021, DRK has funded and supported 200 social impact organizations around the world.

In October 2019, DRK formed a new charitable entity in the Netherlands, Stichting Draper Richards Kaplan Foundation (DRK Netherlands), to expand its charitable purposes within Europe. The total assets for DRK Netherlands as December 31, 2021 were approximately \$106,000 and the total change in net assets for the year ended December 31, 2021 was approximately \$75,000. DRK Netherlands' activity represents monies paid through DRK Netherlands for DRK's efforts in the Netherlands and other parts of Europe. DRK Netherlands' activity does not include the additional monies paid through the DRK U.S. accounts to support the Netherlands, Europe and other parts of the globe.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The consolidated 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. Principles of Consolidation

The consolidated financial statements include the accounts of DRK and Stichting Draper Richards Kaplan Foundation. All intercompany accounts are eliminated in consolidation.

The functional currency of Stichting Draper Richards Kaplan Foundation is the Euro. Gains and losses on foreign currency are recorded on the statement of activities and changes in net assets.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

c. Description of Net Assets

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

Without Donor Restrictions

Net assets not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of DRK. These net assets may be used at the discretion of DRK's management and the board of directors.

With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors are restricted. DRK's net assets with donor restrictions are temporary in nature and include restrictions that will be met by actions of DRK or by the passage of time.

d. Contributions

Contributions are recognized at their fair value when the donor makes an unconditional promise to give. DRK evaluates the need for an allowance for doubtful contributions receivable on a specific identification method.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases to net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are recognized.

e. 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 are depreciated using the straight-line method over the estimated useful lives of the assets.

f. Cash and Cash Equivalents

Cash and cash equivalents are defined as checking, savings and deposit accounts that have a maturity period of three months or less at the time of purchase.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

g. Investments

Investments are stated at their fair value based on quoted prices for similar securities in active markets, except for an investment in a private equity fund which is stated at the fund's net asset value (NAV) which approximates fair value. Investments received by donation are recorded at their fair value on the date received. Realized and unrealized gains or losses are included in the statement of activities and changes in net assets.

h. Program-Related Investments

Equity investments are carried at cost, unless a public market exists in which case the investment is carried at market value. Debt investments are also carried at cost, unless it is determined that a discount is material to DRK's financial statements. PRIs are evaluated annually for impairment. DRK evaluates the need for an allowance for doubtful program-related investments on a specific identification method.

i. 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.

DRK reports alternative investments using NAV per share as determined by the respective fund managers. This practical expedient allows NAV to represent fair value for reporting purposes when the criteria for using this method are met.

j. Grants

Grants awarded as 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.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

k. Income Taxes

DRK has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Effective January 1, 2019, DRK transitioned from a private operating foundation to a public charity within the meaning of Section 509(a) of the Internal Revenue Code.

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.

l. Allocation of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in Note 9. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an estimated basis as follows:

- Personnel expenses are allocated by each position's classification after considering the operational roles and time spent in those roles;
- Occupancy and depreciation are allocated based upon factors of full-time equivalency and approximate square footage;
- Professional services and travel, meals and conferences are allocated based upon time and effort of personnel;
- Supplies and other expenses are based upon headcount or direct charges to the benefited operational area;
- Grants and direct program support are charged directly to program.

m. 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.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

n. 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 DRK's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

o. Recent Accounting Pronouncements

Pronouncement Pending:

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2021. DRK is currently evaluating the impact the adoption of this ASU will have on its financial statements.

p. Subsequent Events

DRK evaluated subsequent events from December 31, 2021 through June 15, 2022, 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.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

Note 3 - Liquid Assets:

DRK's financial assets at December 31, 2021 available to meet general expenditures over the next twelve months were as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,906,722
Contributions receivable	16,108,751
Investments	30,561,650
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Total financial assets	48,577,123
Less amounts not available to be used within one year:	
Long-term pledges receivable, net of discount	(10,613,360)
Private equity fund, included in investments	(598,799)
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Financial assets available to meet general expenditures over the next twelve months	\$ 37,364,964

DRK's goal is to maintain financial assets to meet all grant and operating needs. As financial obligations become due, investments are liquidated.

Note 4 - Investments:

Investments consisted of the following at December 31, 2021:

Equity securities (Level 1)	\$ 3,043,145
Corporate fixed income (Level 2)	24,722,381
Treasury securities (Level 2)	1,369,703
Municipal bonds (Level 2)	737,218
Private equity fund (NAV)	598,799
Cash equivalents held for investment purposes	90,404
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Total	\$ 30,561,650

The private equity fund is an investment in a limited liability company valued at NAV with a strategy of long-term investment returns which the members are encouraged to contribute to charities of their choice. There is no remaining unfunded committed capital.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

Note 5 - Program-Related Investments:

Program-related investments (PRIs) are strategic funding with the specific objective of furthering DRK's charitable purpose and may be in the form of an equity investment, loan, simple agreement for future equity, or convertible note. Program-related investments consisted of the following at December 31, 2021:

Type	Number	Interest Rate	Amount
Convertible promissory notes	13	5% – 8% simple interest per annum	\$ 1,875,000
Promissory notes	3	8% simple interest per annum	150,000
Revenue loan promissory note	1	40% balloon payment	84,579
Preferred stock	12	N/A	1,961,124
Simple agreements for future equity	10	N/A	1,070,000
Publicly traded stock	1	N/A	337,953
Provision for possible losses on PRI's			(375,000)
Total	40		\$ 5,103,656

Note 6 - Contributions Receivable:

Contributions receivable at December 31, 2021 consisted of the following:

Receivable in less than one year	\$ 5,495,391
Receivable in one to five years	10,790,170
Less discounts to net present value	(176,810)
Total contributions receivable	\$ 16,108,751

Contributions receivable due in more than one year are reflected at the value of estimated future cash flows using discount rates ranging from .10% to 1.83%.

Additionally, DRK has received verbal commitments from certain donors as well as other commitments considered conditional. As of December 31, 2021, these conditional commitments totaled \$15,365,000. These gifts are not reflected in DRK's financial statements until collected or the related conditions have been met.

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

Note 7 - Grants to Beneficiary Organizations:

During the year ended December 31, 2021, DRK funded or accrued grants payable to the following organizations or their fiscal sponsor.

Absolute Return for Kids (aka Peepul)	\$ 100,000
Amani Global Works	50,000
Ameelio, Inc.	50,000
American Journalism Project	50,000
Arpan	100,000
Brilliant Detroit	50,000
CalCEF Innovations dba New Energy Nexus (Project: Energy Peace Partners)	150,000
Center on Rural Innovation	100,000
City Bureau NFP	50,000
Coalfield Development	50,000
Code2College	100,000
Council on Criminal Justice, Inc.	25,000
Define American	50,000
Detroit Justice Center	50,000
Digital NEST	50,000
EducationSuperHighway	50,000
FFWD (Project: Rocket Learning)	50,000
FreeFrom	100,000
Healthy Learners (formerly Healthy Kids Brighter Future)	100,000
Imagine Worldwide	50,000
InfluenceMap	100,000
Intelehealth, Inc.	50,000
Join FreeWorld, Inc.	50,000
Perez Art Museum of, Miami, Florida	100,000
JUST Capital	50,000
Kheyti, Inc.	50,000
Merit America	50,000
MORTAR Cincinnati	100,000
News Revenue Hub	100,000

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

OpenEmbassy B.V.	100,000
Partners for Justice	100,000
Propel America	100,000
Public Rights Project (Fiscal Sponsor - Tides Center)	50,000
Recidiviz	100,000
Refugee Trauma Initiative Hellas	50,000
Replate	50,000
Stichting Safi Sana Foundation	100,000
Teaching Lab	100,000
TeachUNITED	100,000
The DigDeep Right to Water Project	50,000
The Friendship Bench	100,000
The Kelsey, Inc.	100,000
The Well Community Development Corporation	100,000
Tiny Totos	50,000
Trey Athletes	100,000
WattTime	100,000
Worth Rises, Inc.	100,000
Total Grants	\$ 3,575,000

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. The anticipated payment schedule is as follows:

Year Ending December 31,	
2022	\$ 2,750,000
2023	1,500,000
2024	500,000
Total	\$ 4,750,000

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at December 31, 2021 consisted of the following:

Contributions receivable – time restricted	\$ 16,108,751
Other	2,873,733
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Total net assets with donor restrictions	\$ 18,982,484

Net assets released from restriction during the year ended December 31, 2021 consisted of:

Release of restriction by passage of time	\$ 3,600,306
Release of restriction met by actions of DRK	2,482,420
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Total net assets released from restrictions	\$ 6,082,726

Note 9 - Functional Expenses:

During the year ended December 31, 2021, DRK's expenses by function consisted of the following:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 3,575,000			\$ 3,575,000
Salaries and benefits	4,298,570	\$ 1,422,057	\$ 514,016	6,234,643
Direct program support	686,619			686,619
Occupancy	517,326	209,797	60,832	787,955
Travel, meals and conferences	148,468	24,578	21,047	194,093
Professional services	870,827	308,950	110,216	1,289,993
Supplies	127,038	45,527	12,508	185,073
Marketing	5,157	2,304	188,843	196,304
Depreciation	22,594	9,369	2,952	34,915
Other	29,084	12,883	2,405	44,372
Provision for possible losses on PRI's	375,000			375,000
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Total	\$ 10,655,683	\$ 2,035,465	\$ 912,819	\$ 13,603,967

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

Note 10 - Commitments:

Office Lease – Menlo Park

DRK leases its headquarters office in Menlo Park, California. In November 2021, the lease was extended through June 2026. The lease requires a rental payment of \$21,980 per month plus other operating expenses such as utilities and property taxes.

Office Lease – San Francisco

In September 2019, DRK entered into a 62-month lease for office space in San Francisco, California. The lease requires rental payments of \$21,873 per month plus other operating expenses such as utilities and property taxes.

In January 2022, DRK entered into an agreement to sublease the office space in San Francisco, California from March 1, 2022 through November 15, 2024, the end of DRK's lease commitment. DRK will receive \$18,327 per month with an annual increase of 3% which will offset the future minimum rental payments below.

Office Lease – Boston

DRK leases office space in Boston, Massachusetts under a five-year lease beginning March 1, 2013, amended on June 6, 2017 and continuing through February 28, 2023. The lease requires a rental payment of \$12,586 per month plus other operating expenses such as utilities and property taxes.

Office Lease – Netherlands

Beginning May 1, 2020, DRK entered into a month-to-month lease in The Hague, Netherlands with a 30-day advance notice for termination of the agreement. The lease requires rental payments of 2,109 Euros per month (approximately \$2,500 US Dollars).

For the year ended December 31, 2021 rent expense was \$742,546 for all office locations.

Future minimum rental payments for all DRK leasing arrangements are as follows:

Year Ending December 31,	
2022	\$ 696,029
2023	585,568
2024	539,182
2025	288,218
2026	148,432
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Total	\$ 2,257,429

Draper Richards Kaplan Foundation

Notes to Consolidated Financial Statements

Note 11 - Retirement Plan:

DRK offers eligible employees the opportunity to participate in a 401(k) plan. Employees who have reached the age of 21 are eligible to participate in the plan. At the end of the calendar year, DRK may make a discretionary contribution equal to a percentage of each active employee's eligible compensation on an annual basis. Employer contribution expense for the year ended December 31, 2021 amounted to \$507,211.

Note 12 - Related Party Transactions:

DRK has historically been funded by individuals closely associated with DRK, including certain members of the Board of Directors and individuals related to them. During the year ended December 31, 2021, gifts from related parties included in contributions amounted to \$2,475,000. There were no contributions receivable from related parties at year end December 31, 2021.

Note 13 - Concentrations of Credit Risk:

Financial instruments, which potentially subject DRK to concentrations of credit risk consist of cash, investments (including program-related investments) 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. Investments are managed subject to a formal investment policy; however, investment valuations are subject to volatility based on market conditions. Contributions receivable are due from numerous donors. Management evaluates the need for an allowance on an annual basis and has determined that no such allowance is necessary at this time.