The Libra Foundation

December 31, 2016

Independent Auditors' Report

and

Financial Statements

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THE BOARD OF DIRECTORS
THE LIBRA FOUNDATION
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **THE LIBRA FOUNDATION (the Foundation)** which comprise the statement of financial position as of December 31, 2016, and the related statement of 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 Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 Libra Foundation as of December 31, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, as of January 1, 2016, the Foundation merged with the Libra Foundation an Illinois non-profit. Our opinion is not modified with respect to this matter.

Hood & Strong LLP

San Francisco, California
September 29, 2017

The Libra Foundation

Statement of Financial Position

December 31, 2016

Assets		
Cash and cash equivalents	$	422,784
Program related investment - notes receivable		1,200,000
Investments, at fair value		215,181,400
Prepaid expenses and other assets		96,431
Total assets	$	216,900,615
Liabilities and Net Assets		
Liabilities:		
Grants payable	$	3,301,667
Excise tax liability		269,422
Total liabilities		3,571,089
Unrestricted Net Assets		213,329,526
Total liabilities and net assets	$	216,900,615

See accompanying notes to financial statements.

The Libra Foundation

Statement of Changes in Net Assets

Year Ended December 31, 2016	
Revenue:	
Contributions	$ 8,311,041
Dividends, interest and partnership income	3,655,191
Net gain on investments:	
Realized	3,831,928
Unrealized	10,599,058
Total revenue	26,397,218
Expenses:	
Grants	9,698,534
Grants management	1,276,223
Investment management and expenses	1,414,411
Federal excise tax	281,417
Total expenses	12,670,585
Change in Net Assets	13,726,633
Unrestricted Net Assets, beginning of year (Note 3)	199,602,893
Unrestricted Net Assets, end of year	$ 213,329,526

See accompanying notes to financial statements.

The Libra Foundation

Statement of Cash Flows

Year Ended December 31, 2016

Cash Flows from Operating Activities:		
Change in net assets	$	13,726,633
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on investments		(3,831,928)
Unrealized gain on investments		(10,599,058)
Deferred excise taxes		223,000
Changes in operating assets and liabilities:		
Prepaid expenses and other assets		169,161
Grants payable		622,667
Excise tax liability		(19,578)
Net cash provided by operating activities		290,897
Cash Flows from Investing Activities:		
Purchases of investments		(44,132,505)
Sales of investments		20,670,555
Program related investment - note receivable		(700,000)
Unsettled liquidations		24,154,277
Net cash provided by investing activities		(7,673)
Net Increase in Cash and Cash Equivalents		283,224
Cash, beginning of year		139,560
Cash, end of year	$	422,784

Supplemental Disclosures:		
Cash paid for federal excise taxes	$	106,000

See accompanying notes to financial statements.

Note 1 - Organization:

The Libra Foundation (the Foundation) is a private foundation that was established and incorporated in Nevada on March 27, 2015. The Foundation was funded on January 1, 2016 through the merger with the Libra Foundation, an Illinois nonprofit. The Foundation only supports organizations that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

In November 2016, the Foundation established the Libra Social Investment Fund, LLC (the LLC) with the sole member being the Foundation. The LLC had no activity for the year ending December 31, 2016 and is not consolidated for reporting purposes.

Grantmaking Areas:

The Foundation has a particular interest in concentrating its grantmaking in California and Illinois, although organizations working nationally may apply as well. Recognizing the value of learning from global partners and participating in the international community, the Foundation funds U.S. based organizations and public foundations, collaborative funds and intermediaries working internationally.

The Foundation also funds social and economic justice organizations that integrate human rights into their work in and across the following priority areas:

Women's Rights, with an emphasis on reproductive rights and the elevation of women's rights as human rights.

Environmental Justice, with a focus on human rights, promoting social justice, and mitigating the impacts of climate change.

Social Justice and Drug Policy Reform, with an emphasis on:

- Government accountability, specifically addressing detention standards, secret criminal proceedings and illegal monitoring, and the concentration of executive branch authority.

- Human rights field-building to support the development of a global human rights movement through: 1) the use of a human rights framework to advance specific policy goals and 2) human rights education and training.

- Fair Application of the Law will continue to support due process and immigration and economic justice.

- Drug Policy Reform efforts promoting legalization and decriminalization, medical research and application of illegal drugs, race, arrest and incarceration (including alternatives to incarceration), and U.S. foreign policy reform.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are those that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations. There are no temporarily or permanently restricted net assets as of December 31, 2016.

b. Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes the Foundation's operating checking account. Cash and cash equivalents are also maintained within investments (Note 5), which are liquidated as necessary to meet payment obligations.

c. Program Related Investment - Notes Receivable

Program related investments are investments that would not be made were it not for the relationship of the investment to the Foundation's programmatic mission. Although the underlying investments may or may not have a profit motive, the purpose of the Foundation's Program Related Investments does not include appreciation or production of income. Program related investments must be consistent with the Foundation's mission. The Foundation records any program related investment notes receivable at cost and evaluates for impairment annually; they are written down when appropriate.

d. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the statements of changes in net assets. Dividend and interest income are accrued when earned. The fair value of equity and fixed income funds are based on their quoted prices. Certain investments are recorded at the lower of their cost or market value.

The fair value of alternative investments is determined using the Net Asset Value (NAV) per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Alternative investments represent amounts in marketable and non-marketable alternatives, these investments are further discussed in Note 6.

e. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. 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. The Foundation classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

f. Fair Value of Financial Instruments

The estimated fair value of the Foundation's financial instruments not measured at fair value on a recurring basis (including receivables, other assets, and grants payable) approximates their carrying values due to their short length to maturity.

g. Grants

Grants awarded with an unconditional promise to give are accrued as a liability and expensed when approved. Grant cancellations or unspent funds are recorded in the year cancelled or the funds are returned.

h. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to contribute to the Foundation.

i. Investment Management Fees and Expenses

Investment management fees and expenses include the fees and expenses of the Foundation's custodian, investment managers, and the various alternative investments as reported by the fund managers.

j. Federal Excise 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 23701(d) of the California Revenue and Taxation Code.

The Foundation is subject to federal excise tax on its investment income. A provision for federal excise tax is accrued. Deferred excise taxes arise primarily from unrealized tax basis gains on investments and are calculated at the effective rate expected to be paid by the Foundation. In addition, the Foundation may be subject to tax on unrelated business income, if any, generated by its investments.

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. As of December 31, 2016, management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

k. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

l. Recent Accounting Pronouncements

In August 2014, FASB issued ASU 2014-15 – Presentation of Financial Statements Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The Update provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Foundation's adoption of the guidance did not have an impact on the financial statements and disclosures.

In August 2016, FASB issued ASU 2016-04 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Foundation is currently evaluating the impact of this pronouncement on its financial statements.

m. Subsequent Events

The management of the Foundation has reviewed the changes in its net assets for the period of time from its fiscal year ended December 31, 2016 through September 29, 2017 the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements and no subsequent events have occurred which would require disclosure, except as described in Notes 4, 7, and 10.

Note 3 - Merger:

Description of Merger

The Libra Foundation a Nevada non-profit (the Survivor Corporation), was formed on March 27, 2015 to merge with The Libra Foundation, an Illinois non-profit (Disappearing Corporation). As of May 26, 2015, the Disappearing Corporation's Board of Directors approved the dissolution of the Disappearing Corporation with all remaining balances at December 31, 2015 being merged into the Survivor Corporation effective January 1, 2016. As part of the plan of termination, the Survivor Corporation received all assets of the Disappearing Corporation and assumed all liabilities of the Disappearing Corporation, including the assumption of all unpaid grant and minimum distribution obligations. The Surviving Corporation will continue to only support organizations that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Significant Liabilities Not Required to Be Recognized

At December 31, 2015, the Disappearing Corporation had capital commitments on existing investments totaling approximately $2,803,000. The Disappearing Corporation also entered into a $553,000 contract through December 31, 2016, for administrative and operational oversight and grantmaking support.

Conforming Accounting Policies

At December 31, 2015, the net assets of the Disappearing Corporation were considered unrestricted and without donor restrictions.

Major Classes of Assets, Liabilities and Net Assets

The amounts below represent the assets, liabilities and net assets that were merged into the Libra Foundation Nevada. The transfer included transferred unrestricted net assets of $199,602,893 as of January 1, 2016.

	Libra Foundation Illinois	Libra Foundation Nevada	Adjustments Debit	Adjustments Credit	Total Libra Foundation Nevada
Assets					
Cash and cash equivalents	$ 139,560				$ 139,560
Receivables	89,428				89,428
Program related investment - Note receivable	500,000				500,000
Investments, at fair value	201,442,742				201,442,741
Prepaid expense and other assets	176,164				176,164
Liabilities					
Grants payable	2,679,000				2,679,000
Excise tax liability	66,000				66,000
Unrestricted Net Assets	$ 199,602,893				$ 199,602,893

Note 4 - Program Related Investments – Notes Receivable:

Notes receivable of $1,200,000 is comprised of three loans to organizations ranging from $200,000 to $500,000 at interest rates from 0.5 to 6 percent. These notes are due at various dates ranging between 2017 and 2021. Future collection is expected to be $200,000 within one year and $1,000,000 within two-five years.

In 2016, the Foundation approved a note that permitted the borrower to advance funds up to $1,000,000 with an interest rate of one percent per annum. The borrower requested its first advance in 2017 of $192,000.

Subsequent to December 31, 2016, the Foundation approved an additional note of $500,000.

Note 5 - Investments:

At December 31, 2016, the fair market value of investments consists of the following:

Cash and cash equivalents	$ 19,530,897
Equities	52,887,516
Equity mutual funds	26,772,458
Fixed income mutual funds	41,689,336
Subtotal	140,880,207
Alternative investments	66,947,498
Private equity investments at cost	500,000
Receivables for unsettled transactions	6,853,695
	$ 215,181,400

Note 6 - Fair Value Measurements and Net Asset Value Disclosures:

Fair Value Disclosure:

The table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2016:

	Total	Level 1	Level 2
Cash and cash equivalents	$ 19,530,897	$ 19,530,897	
Equities:			
Consumer Discretionary	5,789,903	5,789,903	
Consumer Staples	4,021,719	4,021,719	
Energy	1,523,257	1,523,257	
Financials	8,477,153	8,477,153	
Healthcare	6,570,780	6,570,780	
Industrials	8,070,420	8,070,420	
Information technology	9,319,855	9,319,855	
Materials	3,022,066	3,022,066	
Real Estate	2,342,936	2,342,936	
Telecommunication Services	702,961	702,961	
Utilities	3,046,466	3,046,466	
Equity mutual funds:			
Global	26,772,458	26,772,458	
Fixed income mutual funds:			
Domestic	17,541,067	17,541,067	
Global	14,381,847	14,381,847	
Intermediate term bond fund	9,766,422		$ 9,766,422
	140,880,207	131,113,785	9,766,422
Alternative investments **(a)**	66,947,498		
Private equity investments at cost	500,000		
Receivables – unsettled transactions	6,853,695		
Total investments	$ 215,181,400	$ 131,113,785	$ 9,766,422

A description of the valuation techniques and inputs applied to the Foundation's classes of investments which are not listed or quoted on a securities exchange or other regulated market measured at fair value is described in 2d.

(a) In accordance with Subtopic 820-10, the alternative investments held by the Foundation are valued using the net asset value per share (or its equivalent) practical expedient. These investments have not been classified in the fair value hierarchy. The fair value amounts in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the Statement of Financial Position.

N*et Asset Value Disclosure:*

The Foundation uses the Net Asset Value (NAV) as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category as of December 31, 2016:

Strategies	# of Funds	Valuation	Redemption Frequency	Notice Period
Alternative Investments:				
Absolute return/market neutral **(a)**:				
Equity securities	2	$ 12,806,532	Monthly	7-15 days
Real assets **(b)**:				
Real Estate:				
Redeemable	1	8,853,763	Quarterly	45 days
Non-redeemable	4	828,301	N/A	N/A
Global equity **(c)**:				
Redeemable	2	12,143,207	Monthly	10-15 days
Private equity **(d)**:				
Venture capital funds	8	10,450,681	N/A	N/A
Hedge funds **(e)**:				
Non-redeemable	2	21,865,014	N/A	N/A
Total	19	$ 66,947,498		

a) The strategy of the absolute return portfolio is to provide diversification benefits to the overall portfolio through lower correlation to other traditional asset classes (e.g. equity and fixed income) and to provide a buffer during equity market declines. The absolute return/ market neutral investment includes a number of funds with varying strategies, including multi-strategy and equity funds.

   The equities securities fund was established for the expressed purpose of seeking long-term capital appreciation by investing at least 80% of its net assets in emerging market equity securities of large/mid cap companies.

   The investment objective of the debt securities fund is to approximate the duration of the Barclays U.S. Treasury Bond Index through investments primarily in "green" bonds and other debt instruments.

b) The purpose of the investments in real estate is to produce core real estate returns and is intended to be a long-term investment vehicle. Real estate investments also consist of fund of funds that invest in certain private real estate funds that were formed for the purpose of investing directly or indirectly in office, apartment, industrial or other commercial real estate, or in real estate-related securities or in sponsors or managers of real estate investment funds, within the United States, Europe, and Asia. These funds generally cannot be redeemed and liquidity is expected in the form of distributions from the funds when the underlying assets are sold over the life of the partnerships, which is estimated to be over 4 and 6 years. Unfunded commitments were approximately $185,000 for the year ended December 31, 2016.

c) The investment objective of global equities is to achieve long-term growth principally by investing substantially all of its assets in a global selection of equity securities in companies active in the water and growing resource optimization sectors. There were no unfunded commitments for the year ended December 31, 2016.

d) The investment objective of private equity funds is to develop and actively manage an investment portfolio of a diversified group of select, United States-based, private equity and venture capital partnership investments. The partnerships have no redemption rights for the limited partners. Unfunded commitments were approximately $3,190,000 for the year ended December 31, 2016.

e) The investment objective of hedge funds is to achieve capital appreciation in a wide range of asset classes through proprietary asset allocation and careful selection of third-party investment managers. The funds are organized for the primary purpose of developing and actively managing an investment portfolio of non-traditional portfolio managers to invest in marketable and non-marketable investments. Long-short funds consist of fund of funds with a focus on long-short equity in global and emerging markets. Unfunded commitments were approximately $1,009,000 for the year ended December 31, 2016.

Note 7 - Commitments:

a. Investments

The Foundation has capital commitments on existing investments totaling approximately $4,384,000 for the year ended December 31, 2016. Subsequent to year end, the Foundation entered into three additional alternative investment commitments totaling $4,500,000 and invested $20,000,000 into three marketable investment funds.

b. Grants

Multi-year grants are made on both a conditional basis and an unconditional basis. Multi-year grants made on a conditional basis are not recorded until the condition has been met. The conditional grants are subject to review and approval of program and financial reports and a work plan and budget for the ensuing year(s) of the grant. As of December 31, 2016, there were no conditional grants outstanding.

Of the outstanding grants payable of $3,301,667 as of December 31, 2016, all is expected to be paid in 2017.

c. Contracts

In 2016 the Foundation entered into a contract through December 31, 2017, for administrative and operational oversight and grantmaking support. Future minimum payments related to the contract are approximately $637,000.

Note 8 - Excise Taxes:

In accordance with applicable Treasury regulations, the Foundation is classified as a private foundation subject to an excise tax of two percent on net investment income, including realized gains. The Foundation 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. The tax rate for the current excise tax provision was one percent (1%) for 2016. The Foundation provides for the deferred excise tax at the rate of 2% for 2016 on its unrealized appreciation on investments.

The provision for current and deferred excise taxes for the year ended December 31, 2016 is as follows:

Current excise tax	$ 47,459
Deferred excise (benefit) tax	223,000
Other	10,958
Total	$ 281,417

Note 9 - Concentrations of Risk:

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. The alternative investments include additional risks such as limited liquidity, non-marketable investments and dependence on key individuals. To address the risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines and requires review of the investment performance.

As of December 31, 2016, one alternative investment fund represented approximately 10% of total investments.

The Foundation maintains its cash in bank accounts in amounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Note 10 - Related Party Transaction:

The Foundation received contributions from the founder and related entities of approximately $8,300,000 for the year ended December 31, 2016. Subsequent to year end, the Foundation accepted an additional contribution of approximately $37,829,000 in the form of appreciated stock.

The Foundation contracts with Tao Capital (an entity related to the founder) for accounting and tax services on a no-charge basis. The estimated value of those services has not been recorded for the years ended December 31, 2016, and is not considered material to the financial statements.