

GIVEDIRECTLY, INC.

**Financial Statements
For the Years Ended December 31, 2016 and 2015
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

GIVEDIRECTLY, INC.

Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
GiveDirectly, Inc.

We have audited the accompanying financial statements of GiveDirectly, Inc. ("GiveDirectly"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GiveDirectly, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mitchell Titus, LLP

November 13, 2017

GIVEDIRECTLY, INC.
 Statements of Financial Position
 As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 65,485,432	\$ 34,704,165
Investments	2,779,277	27,443,789
Contributions receivable	3,026,412	420,839
Accounts receivable	23,784	54,902
Due from related party	20,503	14,399
Prepaid expenses and other assets	131,026	58,439
Inventory	123,743	9,441
Total current assets	<u>71,590,177</u>	<u>62,705,974</u>
<i>Noncurrent assets</i>		
Contributions receivable	<u>4,773,256</u>	-
Total noncurrent assets	<u>4,773,256</u>	-
Fixed assets, net of accumulated depreciation	<u>17,940</u>	<u>15,433</u>
Total assets	<u><u>\$ 76,381,373</u></u>	<u><u>\$ 62,721,407</u></u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 529,578	\$ 179,272
Grants payable	<u>9,854,535</u>	<u>7,480,817</u>
Total current liabilities	<u>10,384,113</u>	<u>7,660,089</u>
<i>Noncurrent liabilities</i>		
Grants payable	<u>279,318</u>	-
Total noncurrent liabilities	<u>279,318</u>	-
Total liabilities	<u>10,663,431</u>	<u>7,660,089</u>
<i>Net assets</i>		
Unrestricted		
Board-designated	30,260,036	17,533,532
Undesignated	<u>20,678,660</u>	<u>29,527,786</u>
Total unrestricted net assets	50,938,696	47,061,318
Temporarily restricted	<u>14,779,246</u>	<u>8,000,000</u>
Total net assets	<u>65,717,942</u>	<u>55,061,318</u>
Total liabilities and net assets	<u><u>\$ 76,381,373</u></u>	<u><u>\$ 62,721,407</u></u>

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

GIVEDIRECTLY, INC.
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Foundation contributions	\$ 13,803,984	\$ 6,670,092	\$ 20,474,076
Corporate contributions	1,217,255	4,482,276	5,699,531
Federated campaigns	8,523	-	8,523
General contributions	7,381,701	6,719,693	14,101,393
Federal grants	662,800	-	662,800
	<u>23,074,263</u>	<u>17,872,061</u>	<u>40,946,323</u>
Stock donations	3,621,423	-	3,621,423
Contributed goods and services	550,446	-	550,446
<i>Investment income</i>			
Interest income	643,608	-	643,608
Realized gain on investments	1,363,283	-	1,363,283
Unrealized gain on investments	776,628	-	776,628
Total investment income	2,783,519	-	2,783,519
Foreign exchange translation	23,645	-	23,645
Foreign exchange transaction	171,821	-	171,821
Other income	660	-	660
Net assets released from restrictions	11,092,815	(11,092,815)	-
Total operating support, revenues and reclassifications	<u>41,318,592</u>	<u>6,779,246</u>	<u>48,097,837</u>
EXPENSES			
Program services	34,449,199	-	34,449,199
Management and general	1,212,457	-	1,212,457
Fundraising	1,779,558	-	1,779,558
Total expenses	<u>37,441,214</u>	<u>-</u>	<u>37,441,214</u>
Changes in net assets	3,877,378	6,779,246	10,656,624
Net assets, beginning of year	<u>47,061,318</u>	<u>8,000,000</u>	<u>55,061,318</u>
Net assets, end of year	<u>\$ 50,938,696</u>	<u>\$ 14,779,246</u>	<u>\$ 65,717,942</u>

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

GIVEDIRECTLY, INC.
Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Foundation contributions	\$ 31,191,562	\$ 8,000,000	\$ 39,191,562
Corporate contributions	863,742	-	863,742
Federated campaigns	8,143	-	8,143
General contributions	7,162,040	-	7,162,040
	<u>39,225,487</u>	<u>8,000,000</u>	<u>47,225,487</u>
Stock donations	3,236,546	-	3,236,546
Contributed goods and services	320,821	-	320,821
<i>Investment income</i>			
Interest income	235,135	-	235,135
Realized gain on investments	24,428	-	24,428
Unrealized loss on investments	(243,577)	-	(243,577)
Total investment income	15,986	-	15,986
Foreign exchange translation	446,292	-	446,292
Foreign exchange transaction	-	-	-
Other income	6,662	-	6,662
Net assets released from restrictions	3,124,315	(3,124,315)	-
Total operating support, revenues and reclassifications	<u>46,376,109</u>	<u>4,875,685</u>	<u>51,251,794</u>
EXPENSES			
Program services	15,426,910	-	15,426,910
Management and general	757,481	-	757,481
Fundraising	900,863	-	900,863
Total expenses	<u>17,085,254</u>	<u>-</u>	<u>17,085,254</u>
Changes in net assets	29,290,855	4,875,685	34,166,540
Net assets, beginning of year	<u>17,770,463</u>	<u>3,124,315</u>	<u>20,894,778</u>
Net assets, end of year	<u>\$ 47,061,318</u>	<u>\$ 8,000,000</u>	<u>\$ 55,061,318</u>

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

GIVEDIRECTLY, INC.
Statement of Functional Expenses
Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Direct grants	\$ 30,317,163	\$ -	\$ -	\$ 30,317,163
Personnel costs	2,024,163	358,550	799,635	3,182,348
Professional and service fees	91,432	418,082	14,136	523,650
Other travel	590,882	16,535	29,786	637,203
Telecom and software	593,530	90,416	533,344	1,217,291
Donated goods and services	100,568	179,739	270,139	550,446
Mobile money and banking	321,050	3,726	102,360	427,136
Occupancy	85,794	105,447	-	191,241
Equipment	138,399	6,880	4,414	149,693
Air travel	73,298	16,363	24,197	113,858
Supplies	95,959	5,276	1,273	102,508
Insurance	2,986	9,028	-	12,014
Depreciation	7,112	1,570	-	8,682
Compliance	4,858	845	-	5,703
Other expenses	2,005	-	273	2,278
Total expenses	<u>\$ 34,449,199</u>	<u>\$ 1,212,457</u>	<u>\$ 1,779,558</u>	<u>\$ 37,441,214</u>

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

GIVEDIRECTLY, INC.
Statement of Functional Expenses
Year Ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Direct grants	\$ 14,072,384	\$ -	\$ -	\$ 14,072,384
Personnel costs	741,134	297,268	288,088	1,326,490
Professional and service fees	28,752	257,417	52,746	338,915
Donated goods and services	15,117	93,432	212,272	320,821
Telecom and software	44,964	23,253	245,950	314,167
Mobile money and banking fees	176,563	617	76,806	253,986
Transport	201,699	19,634	9,251	230,584
Occupancy	46,336	25,944	6,839	79,119
Air travel	25,753	16,366	5,180	47,299
Equipment	41,384	4,261	972	46,617
Supplies	24,784	3,858	1,122	29,764
Insurance	2,157	9,497	-	11,654
Compliance	266	3,687	1,499	5,452
Depreciation	3,792	1,326	62	5,180
Other expenses	1,825	921	76	2,822
Total expenses	<u>\$ 15,426,910</u>	<u>\$ 757,481</u>	<u>\$ 900,863</u>	<u>\$ 17,085,254</u>

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

GIVEDIRECTLY, INC.
 Statements of Cash Flows
 Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,656,624	\$ 34,166,540
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	8,682	5,180
Stock donations	(3,621,423)	(3,236,546)
Proceeds from sale of stock donations	3,501,001	3,250,914
Realized gain on investments	(1,363,283)	(24,428)
Unrealized (gain)/loss on investments	(776,628)	243,577
Net gains on foreign currencies	(23,645)	(446,292)
<i>Changes in operating assets and liabilities</i>		
Contributions receivable	(7,378,829)	509,860
Accounts receivable	31,118	1,928
Due from related party	(6,104)	-
Prepaid expenses and other assets	(72,587)	(45,303)
Inventory	(114,302)	(3,860)
Accrued expenses and accounts payable	350,306	99,823
Grants payable	2,653,036	1,780,798
Net cash provided by operating activities	<u>3,843,966</u>	<u>36,302,191</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	-	(27,677,306)
Sale of investments	26,924,845	-
Purchase of fixed assets	(12,809)	(8,716)
Disposal of fixed assets	1,620	-
Net cash provided by (used in) investing activities	<u>26,913,656</u>	<u>(27,686,022)</u>
Effect of exchange rate changes on cash	<u>23,645</u>	<u>446,292</u>
Net increase in cash and cash equivalents	30,781,267	9,062,461
Cash and cash equivalents, beginning of year	<u>34,704,165</u>	<u>25,641,704</u>
Cash and cash equivalents, end of year	<u><u>\$ 65,485,432</u></u>	<u><u>\$ 34,704,165</u></u>

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

NOTE 1 DESCRIPTION OF ORGANIZATION

GiveDirectly, Inc. (GiveDirectly) is a not-for-profit organization incorporated on September 1, 2009 in the State of Massachusetts. GiveDirectly's mission is to reduce poverty by providing financial assistance directly to the extreme poor and allowing them - not the donor - to choose where they invest.

GiveDirectly offers a service that enables others to provide direct cash transfers to the poor. GiveDirectly operates in Kenya, Uganda, and Rwanda. GiveDirectly registered in Rwanda in 2015 and began enrolment in 2016. With a focus on efficiency and using the latest available technology, GiveDirectly identifies poor households, informs them that they are eligible for a transfer, helps them register for a digital payments system, sends funds, and follows up with recipients post-transfer. Typical transfers are approximately \$1,000 per household. Recipients are free to spend on their own needs and priorities without restriction. Many of GiveDirectly's transfers are made as part of research projects designed to better understand how to optimize the use of cash transfers and answer questions posed by the policy world that are important to answer in order to facilitate greater adoption of cash transfers as a policy tool. GiveDirectly exclusively focuses on unconditional cash transfers. It does not re-grant to any other organization.

GiveDirectly is funded primarily by donations from private individuals and foundation grants. Donations from individuals, who give through the website or checks in the mail, are distributed to recipient households and include the cost of enrolling and following up with households. Foundation grants may be distributed in a similar manner, or may be designated for a more specific use. Foundation grants also typically fund GiveDirectly's fundraising activities. In 2016, GiveDirectly received federal grants, as part of its work in Rwanda.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

GiveDirectly prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, GiveDirectly's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. GiveDirectly's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Because GiveDirectly does not regularly solicit pledges from individual donors, the primary contributions receivable are grants from foundations. In addition, checks that were mailed and dated within the calendar year but were received in the subsequent year are considered contributions receivable. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. At December 31, 2016 and 2015, there was no allowance for uncollectible contributions receivable.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets. Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in achieving GiveDirectly's mission, including at the discretion of the Board of Directors.

Temporarily Restricted Net Assets. Net assets that are subject to donor-imposed restrictions that will be met either by actions of GiveDirectly and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets. Net assets that are subject to donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or removed by actions of GiveDirectly. At December 31, 2016 and 2015, there are no permanently restricted net assets.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Accounting for Contributions

Contributions are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. GiveDirectly reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Unconditional promises with payments due in future years have an implied time restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restriction. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Realized and unrealized investment gains are reported as increases in unrestricted net assets, as GiveDirectly did not invest any net assets with restrictions in 2016 and 2015.

GiveDirectly's federal grant is milestone based and therefore, revenue is recognized once the specified milestones are achieved. In 2016, \$662,800 of federal grant revenue was recognized and it is expected that over the course of the next two years an additional \$1,335,653 in revenue will be recognized when further milestones are achieved. During 2015, a corporate donor matched the federal grant with a \$2 million cash donation. The condition associated with this contribution was achieved in 2015 at which point revenue was recognized and reflected within temporarily restricted net assets. During 2016, \$513,792 in expenses were incurred to satisfy purpose restrictions associated with the contribution. As such, this amount was released from temporarily restricted net assets as reflected in the accompanying statement of activities. The remaining \$1,486,208 of the donor-restricted contribution will be released from restriction as expenses are incurred in future years.

Contributed Services and Goods

GiveDirectly records contributed services at fair value when (a) the services create or enhance nonfinancial assets, or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. In 2016 and 2015, GiveDirectly had services contributed in the United States related primarily to domestic operations (e.g., website support and development, pro-bono legal counsel). In addition, a member of the management team also contributed services in 2016 and 2015, respectively.

GiveDirectly reports all contributed goods at fair value as estimated by management based on donor-provided value and comparable fair market value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Expense Recognition and Allocation

In general, expenses are recognized when incurred and are allocated to a functional area (either program expenses, fundraising, or management and general) when recorded. In cases where the function was not immediately recorded, an allocation methodology was applied to allocate the cost to the functional areas that benefitted from the expense. In 2015, the allocation methodology applied made use of timesheets and headcount to allocate the expenses. In 2016, direct expense proportions were utilized to allocate expenses, with actual direct expenses (excluding transfer spend) utilized January through October and budgeted total expenses (including transfer spend) utilized November and December. Cash transfer program expenses are recognized when a commitment has been made to recipients after full completion of enrollment processes.

Management and general expenses are those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of GiveDirectly. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Fixed Assets

Fixed assets consisting of computer hardware, equipment, furniture and fixtures are stated at cost, less accumulated depreciation. Additions over \$1,000 are capitalized. Depreciation is calculated over an estimated useful life of three to seven years using the straight-line method.

Investment Valuation and Income Recognition

Investments in equity securities and mutual funds with readily determinable fair values are reported at fair value based on quoted market prices. GiveDirectly's investment in Segovia Technology, described in greater detail in Note 16 is a private placement security the market value of which was determined by a third-party appraisal of all equity interests in the entity. The investment objective for marketable equity securities and mutual funds is to preserve capital while generating a modest return to support GiveDirectly's activities.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. There was no interest or dividends receivable recorded at December 31, 2016 and 2015, respectively. Net appreciation (depreciation) includes GiveDirectly's gains and losses on investments bought, sold, and held during the year.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The ASU requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also expands the footnote disclosure requirements related to contracts with customers. In August 2015, the effective date of the ASU was deferred for to annual financial statements for fiscal years beginning after December 15, 2017. GiveDirectly is currently evaluating the impact of the adoption of this ASU on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the requirements for presentation of the financial statements and notes. In particular, it enhances the qualitative and quantitative disclosures of the net asset classes, investment return, expenses, liquidity and availability of resources, and operating cash flows. The effective date of the ASU is for annual financial statements for fiscal years beginning after December 15, 2017. GiveDirectly is currently evaluating the impact of the adoption of this ASU on its financial statements.

NOTE 3 **TAX STATUS**

GiveDirectly qualifies as a charitable organization as defined by the Internal Revenue Code (the Code) Section 501(c)(3) and, accordingly, is exempt from Federal income taxes under Section 501(a) of the Code. Additionally, since GiveDirectly is publicly supported, contributions qualify for the maximum charitable contribution deduction under the Code. The Organization is also exempt from New York State and New York City income tax.

U.S. GAAP requires management to evaluate uncertain tax positions that GiveDirectly takes. The financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the IRS. Management has analyzed the tax positions taken by GiveDirectly, and has concluded that as of December 31, 2016 and 2015, there are no uncertain tax positions taken or expected to be taken. GiveDirectly has recognized no interest or penalties related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2013.

NOTE 4 CASH AND CASH EQUIVALENTS

GiveDirectly considers all highly liquid financial instruments with maturities of three months or less when purchased, other than cash included in investments, to be cash equivalents.

NOTE 5 EXCHANGE RATE CHANGES ON BALANCES HELD IN FOREIGN CURRENCY

GiveDirectly holds cash and liability balances in Kenya, Uganda, and Rwanda for the purpose of paying future grants to recipients. The value of these balances in U.S. dollars is impacted by foreign exchange rates. The net impact on these balances from foreign exchange rate changes was \$23,645 and \$446,292 for the years ended December 31, 2016 and 2015, respectively, net of costs charged on foreign exchange transactions. This is a cash gain only for reporting purposes in U.S. dollars, and did not result in extra funds to be used in operations, as the funds will remain in foreign currency until the full liability to recipients is paid. Costs associated with foreign exchange transactions amounted to a gain of \$171,821 and a loss of \$35,108 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 FAIR VALUE MEASUREMENTS

GiveDirectly values its investments in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. 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 inputs are prioritized according to the valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs), and the lowest priority to measurements involving insignificant unobservable inputs (Level 3 inputs).

The three levels of the fair value hierarchy under ASC 820 are as follows:

- *Level 1:* Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

NOTE 6 FAIR VALUE MEASUREMENTS *(continued)*

- *Level 2:* Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3:* Inputs are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value measurements are applied based on the unit of account from the reporting entity's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The following table sets forth, by level within the fair value hierarchy, financial instruments at fair value at December 31, 2016 and 2015. There were no changes in valuation techniques that resulted in a transfer in or out of an investment's assigned level within the hierarchy from the prior period.

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Equities	\$ 450,581	\$ -	\$ 387,030	\$ 837,611
Mutual funds	1,933,476	-	-	1,933,476
Interest-bearing cash	58,527,617	-	-	58,527,617
Other interest-bearing cash and cash equivalents	8,191	-	-	8,191
	<u>\$60,919,865</u>	<u>\$ -</u>	<u>\$ 387,030</u>	<u>\$61,306,895</u>

GIVEDIRECTLY, INC.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

NOTE 6 FAIR VALUE MEASUREMENTS *(continued)*

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Equities	\$ 5,064,766	\$ -	\$ 387,030	\$ 5,451,796
Mutual funds	21,972,741	-	-	21,972,741
Interest-bearing cash	26,069,834	-	-	26,069,834
Other interest-bearing cash and cash equivalents	19,252	-	-	19,252
	<u>\$53,126,593</u>	<u>\$ -</u>	<u>\$ 387,030</u>	<u>\$53,513,623</u>

The Level 3 equity consisted of 921,500 shares of stock in Segovia Technology Co. (Segovia), a related party discussed below. This stock was valued at \$0.42 per share on July 31, 2016 and 2015, respectively, in an independent appraisal valuation performed by a third party specialist.

Changes in the fair value of the Level 3 assets for the year ended December 31, 2016 and 2015 are as follow:

Fair value, at December 31, 2014	\$ -
Purchases	92
Unrealized gain	<u>386,938</u>
Fair value, at December 31, 2015	387,030
Purchases	-
Unrealized gain	<u>-</u>
Fair value, at December 31, 2016	<u>\$ 387,030</u>

NOTE 7 INVENTORY

GiveDirectly provides cell phones to some recipients to facilitate their enrollment in a payments platform. Phones that have not yet been distributed to recipients are GiveDirectly's only inventory item. Inventory on hand was \$123,743 and \$9,441 at December 31, 2016 and 2015, respectively. Inventory is reported at the lower of cost or market on a first-in, first-out basis.

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NOTE 8 CONTRIBUTIONS RECEIVABLE

GiveDirectly has received promises to give from donors as of December 31, 2016 and 2015 that will be received over the course of the next several years.

The table below breaks down the contributions receivable by the timeframe in which they will be received. Contributions to be received in over 12 months have been discounted to reflect net present value. Contributions receivable, net at December 31, 2016 and 2015 are as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 3,026,411	\$ 420,839
One to five years	3,566,667	-
Five years or more	<u>2,016,667</u>	<u>-</u>
	8,609,745	420,839
Fair value adjustment	<u>(810,077)</u>	<u>-</u>
Contributions receivable, net	<u>\$ 7,799,668</u>	<u>\$ 420,839</u>

NOTE 9 FIXED ASSETS

GiveDirectly has a capitalization threshold of \$1,000 for fixed assets. Fixed assets, net at December 31, 2016 and 2015, are comprised of the following:

	<u>2016</u>	<u>2015</u>
Computer hardware and equipment	\$ 27,286	\$ 17,864
Furniture and fixtures	<u>6,404</u>	<u>6,408</u>
	33,690	24,272
Less: Accumulated depreciation	<u>15,750</u>	<u>8,839</u>
Fixed assets, net	<u>\$ 17,940</u>	<u>\$ 15,433</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$8,682 and \$5,180, respectively.

NOTE 10 ACCRUED EXPENSES

Accrued expenses at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Accrued professional fees	\$ 73,992	\$ 64,763
Accrued payroll	40,229	39,944
Other accrued expenses	191,712	11,388
Total	<u>\$ 305,933</u>	<u>\$ 116,095</u>

Accrued expenses are reflected as a component of accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE 11 GRANTS PAYABLE

Grants payable represents outstanding commitments to recipients for future cash transfers. A recipient's full grant is typically distributed in three or more transfers, spaced two months apart. The full grant is recognized when the recipient passes through the entire enrollment process. Grants payable is drawn down as the transfers are made to recipients. Grants payable that are expected to be paid in future years are recorded at fair value based on the present value of expected future payments. Most grants payable at December 31, 2016 and 2015 are expected to be paid within eight months. However, the Basic Income campaign is structured such that recipients will receive monthly funds over the course of 2 – 12 years.

Grants payable at December 31, 2016 and 2015, which includes any associated transfer fees, were as follows:

	<u>2016</u>	<u>2015</u>
Kenya Campaigns	\$ 5,675,181	\$ 3,853,523
Uganda Campaigns	4,210,036	3,627,294
Rwanda Campaigns	248,636	-
	<u>\$ 10,133,853</u>	<u>\$ 7,480,817</u>

NOTE 11 GRANTS PAYABLE *(continued)*

The table below breaks down these grants payable by the timeframe in which they will be paid. Aside from grants associated with Basic Income campaign, all grants are scheduled to be paid within 12 months following December 31, 2016. The grants associated with the Basic Income campaign are not discounted due to such discount being immaterial.

	<u>2016</u>	<u>2015</u>
<i>Kenya Campaigns</i>		
Less than one year	\$ 5,395,863	\$ 3,853,523
One to five years	120,189	-
Over five years	159,129	-
<i>Uganda Campaigns</i>		
Less than one year	4,210,036	3,627,294
<i>Rwanda Campaigns</i>		
Less than one year	248,636	-
	<u>\$ 10,133,853</u>	<u>\$ 7,480,817</u>

NOTE 12 BOARD-DESIGNATED NET ASSETS

The Board of Directors explicitly designates unrestricted donations for particular programs and activities. The Board has also set a policy such that funds donated without any specific indication as to use, or funds given through GiveDirectly's website where the only options presented to donors are related to cash transfer programming, are spent on recipient transfers and the associated delivery costs – not on fundraising related activities. These funds that have been generally designated by the Board for cash transfers are then specifically designated by the Board to specific programs.

At December 31, 2016 and 2015, there were:

- Net assets designated for cash transfers by the Board as part of the above-mentioned policy, but pending allocation to a specific cash transfer program. The Board voted on the specific campaigns for these funds in February 2016, June 2016, and November 2016.
- Net assets designated for specific campaigns in Kenya, Uganda, and Rwanda
- Net assets designated for use in fundraising
- Net assets held in reserve to enable GiveDirectly to fund 18 months' salary for key personnel

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NOTE 12 BOARD-DESIGNATED NET ASSETS (continued)

Board-designated net assets at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Pending allocation	\$ 8,064,000	\$ 8,499,282
Kenya campaigns	13,221,007	5,550,460
Uganda campaigns	1,449,962	1,126,066
Rwanda campaigns	3,791,380	-
Fundraising	1,883,687	357,724
Salary reserves	1,850,000	1,850,000
Total	<u>\$ 30,260,036</u>	<u>\$ 17,533,532</u>

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
<i>Purpose restricted</i>		
Cash transfer programming	\$ 14,779,246	\$ 8,000,000
Total	<u>\$ 14,779,246</u>	<u>\$ 8,000,000</u>

During 2016 and 2015, net assets were released from restrictions based upon the satisfaction of the following purpose restrictions:

	<u>2016</u>	<u>2015</u>
Cash transfer programming	\$ 11,092,815	\$ 3,124,315
Total	<u>\$ 11,092,815</u>	<u>\$ 3,124,315</u>

NOTE 14 CONCENTRATIONS OF RISK

GiveDirectly holds cash sufficient to cover approximately one year of budgeted expenses in financial institutions across Kenya, Uganda, Rwanda, and the U.S. Cash is exposed to various risks, such as custodial credit risks, in Kenya, Uganda, Rwanda and the U.S. To mitigate these risks, GiveDirectly works with high credit quality financial institutions in all of its geographies, maintains relationships with several financial institutions, and holds currency in U.S. financial institutions until local currency obligations are created. GiveDirectly does not anticipate any losses with respect to these depository accounts.

NOTE 14 CONCENTRATIONS OF RISK *(continued)*

Cash in excess of the budgeted expenses may be held in an investment portfolio, as stipulated by GiveDirectly's investment policy statement. The value of that portfolio will vary with changes in the market.

GiveDirectly utilizes electronic payment systems to transfer funds directly to individual recipients. It is dependent on a limited number of providers (currently three across three markets) to execute its transfers in a timely and secure manner.

Currently, all program activity is concentrated within the East Africa geographic region.

During the year ended December 31, 2015, GiveDirectly received approximately 61% of its total revenue from its two largest donors. During the year ended December 31, 2016, GiveDirectly received approximately 31% of its total revenue from its two largest donors. Due to the concentration of revenue, there is a risk that GiveDirectly would not be able to continue distributing cash transfers at its current volume if this source of contributions were lost. All current campaigns and recipients are fully funded prior to enrollment, therefore there would be no risk to current campaigns.

NOTE 15 CONTINGENCIES

GiveDirectly could be subject to litigation in connection with claims arising from its normal course of activities.

NOTE 16 OPERATING LEASE COMMITMENTS

GiveDirectly rents office space month-to-month in a co-working space in New York City. In Kenya, there is a six-year cancellable lease beginning January 2017 on an office in Nairobi. In Uganda, there is also a two-year cancelable lease on an office in Kampala beginning October 2015, which can be terminated with two months' notice. In Rwanda, there was a one year cancellable lease commencing May 9, 2016 on an office in Kigali. This lease was renewed in May 2017 for six months, with renewal subject to renegotiation.

Rent expense for the years ended December 31, 2016 and 2015 was \$169,697 and \$68,270, respectively.

NOTE 17 RELATED-PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, a member of executive management did not draw a salary or receive fringe benefits from GiveDirectly for a portion of the years. This has been reflected as contributed services in the accompanying statement of activities for the years ended December 31, 2016 and 2015, with an estimated fair value of \$199,347 and \$99,673, respectively. The related salary and fringe expense has been allocated between fundraising and management and general expenses based on the individual's time tracking and is reflected within donated goods and services expenses in the accompanying statements of functional expenses for the years ended December 31, 2016 and 2015.

Segovia Technology Co. (Segovia) was formed by two common board members and co-founders of GiveDirectly. Segovia builds software to manage the logistics of payments distribution in the developing world, so that governments, non-profits and others can more effectively implement cash transfers and other social protection programs.

Effective March 16, 2015, GiveDirectly purchased 921,500 shares of Segovia common stock at \$0.0001 par value per share, leading to an aggregate purchase price of \$92.15. GiveDirectly acquired the shares for a nominal cash contribution, as is standard practice for the distribution of initial shares of a new company. GiveDirectly transferred voting rights in these shares back to two proxyholders who are founders of Segovia, as part of an arrangement in which those founders donated economic interest in those shares to GiveDirectly but retained voting rights. As part of the stock purchase, GiveDirectly received from Segovia \$2,250, as recommended by a third-party valuation, to compensate for the avoided search costs for an employee that would be shared between the two organizations.

Segovia also donated its software and services to GiveDirectly. The in-kind donation of the software and associated services were valued at \$52,454 and \$1,829 for the delivery of approximately \$5,170,928 and \$73,155 of grant transfers that were disbursed January through April of 2016 and during the entirety of 2015, respectively. This donation has been included in the statement of activities as contributed services. Effective with May 2016 transfers, Segovia no longer donates the software and services to GiveDirectly and instead charges them at a rate of 1.6% of grant transfers. For the year ended December 31, 2016, Segovia software expense totaled \$305,162. The software fee payable balance as of December 31, 2016 was \$268,742.

Segovia also shares an employee with GiveDirectly. For the year ended December 31, 2016 and 2015, a salary allocation for this employee of \$56,794 and \$50,019 was billed to Segovia by GiveDirectly, of which \$20,503 and \$14,399 was unpaid as of December 31, 2016 and 2015, respectively. The unpaid portion is included in the accompanying statements of financial position as due from related party.

NOTE 17 **RELATED-PARTY TRANSACTIONS** *(continued)*

GiveDirectly entered into an agreement with Segovia on June 30, 2015, whereby GiveDirectly paid \$2,800 per month to Segovia, which represented GiveDirectly's proportionate share of the utilized space. In addition, GiveDirectly paid Segovia \$4,200 for its proportionate share of the security deposit related to the shared work space. As the space needs of the two organizations have evolved, GiveDirectly and Segovia have entered into new rent agreements. In the latest agreement entered into in January 2017, GiveDirectly agreed to pay Segovia \$13,398 monthly (and pay \$17,425 towards the security deposit), representing its proportionate share of the shared space.

Effective October 28, 2015, an affiliate related entity was established in the United Kingdom (GiveDirectly UK) for the purpose of fundraising in the United Kingdom to support the programmatic activities of GiveDirectly direct cash transfers to the extreme poor. The President and co-founder of GiveDirectly is a board member of GiveDirectly UK. There were no transactions involving GiveDirectly UK during 2016 and 2015. On June 29, 2016, GiveDirectly UK was registered as a charitable organization in the United Kingdom.

NOTE 18 **SUBSEQUENT EVENTS**

GiveDirectly has evaluated events subsequent to December 31, 2016 through November 13, 2017, the date on which the financial statements were available for issuance.

In January 2017, GiveDirectly received an unrestricted contribution of \$2,500,000.

