

GIVEDIRECTLY, INC.

**Financial Statements
For the Years Ended December 31, 2017 and 2016
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

GIVEDIRECTLY, INC.

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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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MITCHELL TITUS

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, 2017 and 2016, 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, 2018

GIVEDIRECTLY, INC.
 Statements of Financial Position
 As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 67,463,147	\$ 65,485,432
Investments	7,719,704	2,779,277
Contributions receivable	4,494,140	3,026,412
Accounts receivable	42,145	23,784
Due from related party	202,901	20,503
Prepaid expenses and other assets	258,613	131,026
Inventory	132,680	123,743
Total current assets	<u>80,313,330</u>	<u>71,590,177</u>
<i>Noncurrent assets</i>		
Contributions receivable, net	4,320,178	4,773,256
Fixed assets, net of accumulated depreciation	77,140	17,940
Total assets	<u>\$ 84,710,648</u>	<u>\$ 76,381,373</u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 313,470	\$ 260,836
Due to related party	79,365	268,742
Grants payable, net	2,995,946	9,854,535
Total current liabilities	<u>3,388,781</u>	<u>10,384,113</u>
<i>Noncurrent liabilities</i>		
Due to related party	49,157	-
Grants payable, net	2,498,079	279,318
Total noncurrent liabilities	<u>2,547,236</u>	<u>279,318</u>
Total liabilities	<u>5,936,017</u>	<u>10,663,431</u>
<i>Net assets</i>		
Unrestricted		
Board-designated	29,784,197	30,260,036
Undesignated	25,540,939	20,678,660
Total unrestricted net assets	55,325,136	50,938,696
Temporarily restricted	23,449,495	14,779,246
Total net assets	<u>78,774,631</u>	<u>65,717,942</u>
Total liabilities and net assets	<u>\$ 84,710,648</u>	<u>\$ 76,381,373</u>

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

GIVEDIRECTLY, INC.
Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Foundation contributions	\$ 24,568,900	\$ 5,942,425	\$ 30,511,325
Corporate contributions	268,929	1,599,963	1,868,892
Federated campaigns	4,360	-	4,360
General contributions	4,537,936	11,764,632	16,302,568
Foreign government grants	-	663,500	663,500
Federal grants	624,000	-	624,000
	<u>30,004,125</u>	<u>19,970,520</u>	<u>49,974,645</u>
Stock donations	454,457	76,496	530,953
Contributed goods and services	279,034	-	279,034
<i>Investment income</i>			
Interest income	485,681	-	485,681
Realized gain on investments	40,849	-	40,849
Unrealized gain on investments	94,917	-	94,917
Total investment income	621,447	-	621,447
Foreign exchange transaction	443,469	-	443,469
Other income	4,410	-	4,410
Net assets released from restrictions	11,376,767	(11,376,767)	-
Total operating support, revenues and reclassifications	<u>43,183,709</u>	<u>8,670,249</u>	<u>51,853,958</u>
EXPENSES			
Program services	35,678,000	-	35,678,000
Management and general	1,116,640	-	1,116,640
Fundraising	2,002,629	-	2,002,629
Total expenses	<u>38,797,269</u>	<u>-</u>	<u>38,797,269</u>
Changes in net assets	4,386,440	8,670,249	13,056,689
Net assets, beginning of year	<u>50,938,696</u>	<u>14,779,246</u>	<u>65,717,942</u>
Net assets, end of year	<u>\$ 55,325,136</u>	<u>\$ 23,449,495</u>	<u>\$ 78,774,631</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	14,101,394
Federal grants	662,800	-	662,800
	<u>23,074,263</u>	<u>17,872,061</u>	<u>40,946,324</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>48,097,838</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><u>\$ 50,938,696</u></u>	<u><u>\$ 14,779,246</u></u>	<u><u>\$ 65,717,942</u></u>

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

GIVEDIRECTLY, INC.
Statement of Functional Expenses
Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Direct grants	\$29,300,241	\$ -	\$ -	\$29,300,241
Personnel costs	2,901,980	360,819	1,006,531	4,269,330
Professional and service fees	158,141	347,393	54,650	560,184
Other travel	521,676	11,031	56,505	589,212
Telecom and software	590,435	98,867	439,808	1,129,110
Donated goods and services	19,813	38,729	220,492	279,034
Mobile money and banking	366,177	9,958	160,838	536,973
Foreign exchange translation	23,885	-	-	23,885
Occupancy	127,905	173,151	-	301,056
Equipment	63,934	134	506	64,574
Air travel	60,281	10,195	58,524	129,000
Supplies	120,096	12,865	3,489	136,450
Insurance	2,270	13,960	-	16,230
Depreciation	19,125	1,000	793	20,918
Compliance	1,409	2,825	493	4,727
Other expenses	632	35,713	-	36,345
Grant expense	1,400,000	-	-	1,400,000
Total expenses	<u>\$35,678,000</u>	<u>\$ 1,116,640</u>	<u>\$ 2,002,629</u>	<u>\$38,797,269</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	533,345	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.
 Statements of Cash Flows
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,056,689	\$ 10,656,624
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	20,918	8,682
Stock donations	(530,953)	(3,621,423)
Realized gain on investments	(40,849)	(1,363,283)
Unrealized gain on investments	(94,917)	(776,628)
Net loss (gain) on foreign currencies	23,885	(23,645)
<i>Changes in operating assets and liabilities</i>		
Contributions receivable, net	(1,014,650)	(7,378,829)
Accounts receivable	(18,361)	31,118
Due from related party	(182,398)	(6,104)
Prepaid expenses and other assets	(127,587)	(72,587)
Inventory	(8,938)	(114,302)
Accounts payable and accrued expenses	52,634	81,564
Due to related party	(140,220)	268,742
Grants payable, net	(4,639,828)	2,653,036
Net cash provided by operating activities	<u>6,355,425</u>	<u>342,965</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(14,325,139)	-
Sale of investments	9,489,396	26,924,845
Proceeds from sale of stock donations	562,035	3,501,001
Purchase of fixed assets	(80,117)	(12,809)
Disposal of fixed assets	-	1,620
Net cash (used in) provided by investing activities	<u>(4,353,825)</u>	<u>30,414,657</u>
Effect of exchange rate changes on cash	<u>(23,885)</u>	<u>23,645</u>
Net increase in cash and cash equivalents	1,977,715	30,781,267
Cash and cash equivalents, beginning of year	<u>65,485,432</u>	<u>34,704,165</u>
Cash and cash equivalents, end of year	<u><u>\$ 67,463,147</u></u>	<u><u>\$ 65,485,432</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 those in need.

GiveDirectly offers a service that enables others to provide cash transfers directly to those in need. GiveDirectly operates primarily in Kenya, Uganda, and Rwanda. GiveDirectly registered in Rwanda in 2015 and began enrollment in 2016. In 2017 and 2016, GiveDirectly received federal grants, as part of its work in Rwanda. Beginning in October 2017, GiveDirectly conducted two pilot projects in the United States to deliver cash transfers to people affected by Hurricanes Harvey and Maria.

With a focus on efficiency and using the latest available technology, GiveDirectly identifies poor households and 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. Transfer sizes vary by project. GiveDirectly exclusively focuses on unconditional cash transfers, therefore recipients are free to spend on what they need 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. Answering these questions help facilitate greater adoption of cash transfers as a policy tool. In 2017, a unique opportunity was presented to GiveDirectly where they did re-grant a donation to a separate research organization to conduct a project's research component. However, as a general practice GiveDirectly does not regularly re-grant to any other organization.

GiveDirectly receives donations from private individuals, foundations, and governments. Donations from individuals 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. Additionally, GiveDirectly received grant money from the United Kingdom government in 2017 for its project serving refugees in Uganda.

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).

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

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.

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 pertain to 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, 2017 and 2016, there was no allowance for uncollectible contributions.

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.

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

Net Assets *(continued)*

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, 2017 and 2016, there are no permanently restricted net assets.

Revenue Recognition

Unconditional contributions are recognized when received. Such 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 2017 and 2016.

GiveDirectly's federal grant is milestone based and therefore, revenue is recognized once the specified milestones are achieved. In 2017, approximately \$624,000 of federal grant revenue was recognized and it is expected that over the course of the next year an additional \$713,200 in revenue will be recognized when further milestones are achieved. In 2016, approximately \$663,000 of federal grant revenue was recognized.

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. In 2016, \$513,792 in expenses were incurred. During 2017, the remaining balance of \$1,486,208 in expenses were incurred to satisfy purpose restrictions associated with the corporate contribution. As such, this amount was released from temporarily restricted net assets as reflected in the accompanying statement of activities.

During 2017, GiveDirectly received a grant from the Department for International Development of the United Kingdom's government in the amount of \$663,500 to assist with cash transfer program in Uganda. The total contribution was recognized as revenue in 2017.

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

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 2017 and 2016, GiveDirectly had services contributed in the United States related primarily to domestic operations (e.g., advertising, website support and development). In addition, certain members of the management team of GiveDirectly also contributed services in 2017 and 2016, respectively.

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

Expense Recognition and Allocation

Costs associated with providing GiveDirectly's programs and other activities have been summarized on a functional basis in the statement of activities, which includes all expenses incurred during the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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. Investments in fixed income securities are measured using quoted market prices where available. GiveDirectly's investment in Segovia Technology, described in greater detail in Note 18 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, fixed income securities and mutual funds is to preserve capital while generating a modest return to support GiveDirectly's activities.

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

Investment Valuation and Income Recognition *(continued)*

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, 2017 and 2016, respectively. Realized gains and losses are calculated based on the difference between the cost of the investments and the proceeds received from the sale of the respective investments. Changes in net unrealized gains and losses are calculated based on the change in the difference between the cost and the fair values of investments at December 31 of the current year compared to the cost and the fair values of investments at December 31 of the prior year.

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 to annual financial statements for fiscal years beginning after December 15, 2018. GiveDirectly is currently evaluating the impact of the adoption of this ASU on its financial statements and accompanying notes.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The ASU requires, among other provisions, the recognition of lease assets (right of use) and lease liabilities by lessees for those leases classified as operating leases under the previous GAAP. Under this ASU, a lessee in an operating lease is required to (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position; (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and (c) classify all cash payments within the operating activities in the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2019. GiveDirectly is assessing what effect the adoption of this ASU will have on its financial statements and accompanying notes.

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

New Accounting Pronouncements *(continued)*

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 and accompanying notes.

In May 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was issued in response to the diversity and difficulty in practice with regards to exchange transactions and unconditional and conditional contributions. The guidance for contributions received would be applicable for annual periods beginning after December 15, 2018 and the guidance for contributions made would be applicable for annual periods beginning after December 15, 2019.

Reclassification

Certain prior-year amounts have been reclassified to conform to the current year's presentation.

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, 2017 and 2016, 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 2014.

GIVEDIRECTLY, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

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 INVESTMENTS

Investments held by GiveDirectly at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
<i>At fair value</i>		
Equities	\$ 884,548	\$ 837,611
Mutual funds	2,077,124	1,933,476
U.S. Government obligations	1,945,452	-
Corporate bonds	2,801,326	-
Other interest-bearing cash and cash equivalents	<u>11,254</u>	<u>8,190</u>
Total investments	<u>\$ 7,719,704</u>	<u>\$ 2,779,277</u>

NOTE 6 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 cash balances from foreign exchange rate changes was a \$23,885 loss and \$23,645 gain for the years ended December 31, 2017 and 2016, respectively, net of costs charged on foreign exchange transactions. In 2017, the loss is reflected as a program services in the statement of activities. In 2016, the gain is reflected as foreign exchange translation in the statement of activities. This is a cash loss/gain only for reporting purposes in U.S. dollars, and did not result in less or more 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 \$443,469 and \$171,821 for the years ended December 31, 2017 and 2016, respectively.

NOTE 7 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.
- *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.

GIVEDIRECTLY, INC.
Notes to Financial Statements
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NOTE 7 FAIR VALUE MEASUREMENTS *(continued)*

The following table sets forth, by level within the fair value hierarchy, financial instruments at fair value at December 31, 2017 and 2016. 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, 2017			Total
	Level 1	Level 2	Level 3	
Equities	\$ 497,518	\$ -	\$ 387,030	\$ 884,548
Mutual funds	2,077,124	-	-	2,077,124
U.S. government obligations	-	12,370,452	-	12,370,452
Corporate bonds	-	3,226,165	-	3,226,165
Interest-bearing cash	44,764,254	-	-	44,764,254
Other interest-bearing cash and cash equivalents	11,254	-	-	11,254
	<u>\$47,350,150</u>	<u>\$15,596,617</u>	<u>\$ 387,030</u>	<u>\$63,333,797</u>

	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	58,527,618	-	-	58,527,618
Other interest-bearing cash and cash equivalents	8,190	-	-	8,190
	<u>\$60,919,865</u>	<u>\$ -</u>	<u>\$ 387,030</u>	<u>\$61,306,895</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, 2017 and 2016, 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, 2017 and 2016 are as follow:

Fair value, at December 31, 2015	\$ 387,030
Purchases	-
Unrealized gain	-
Fair value, at December 31, 2016	<u>387,030</u>
Purchases	-
Unrealized gain	-
Fair value, at December 31, 2017	<u>\$ 387,030</u>

GIVEDIRECTLY, INC.
Notes to Financial Statements
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NOTE 8 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 \$132,680 and \$123,742 at December 31, 2017 and 2016, respectively. Inventory is reported at the lower of cost or market on a first-in, first-out basis.

NOTE 9 CONTRIBUTIONS RECEIVABLE

GiveDirectly has received promises to give from donors as of December 31, 2017 and 2016 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 4,494,140	\$ 3,026,412
One to five years	3,565,761	3,566,666
Five years or more	<u>1,433,333</u>	<u>2,016,667</u>
	9,493,234	8,609,745
Fair value adjustment	<u>(678,916)</u>	<u>(810,077)</u>
Contributions receivable, net	<u><u>\$ 8,814,318</u></u>	<u><u>\$ 7,799,668</u></u>

NOTE 10 FIXED ASSETS

Fixed assets, net at December 31, 2017 and 2016, are comprised of the following:

	<u>2017</u>	<u>2016</u>
Computer hardware and equipment	\$ 39,280	\$ 27,286
Furniture and fixtures	<u>74,125</u>	<u>6,404</u>
	113,405	33,690
<i>Less: Accumulated depreciation</i>	<u>36,265</u>	<u>15,750</u>
Fixed assets, net	<u><u>\$ 77,140</u></u>	<u><u>\$ 17,940</u></u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$20,918 and \$8,682, respectively.

GIVEDIRECTLY, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 11 ACCRUED EXPENSES

Accrued expenses at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Accrued professional fees	\$ 66,878	\$ 73,992
Accrued payroll	12,917	40,229
Other accrued expenses	<u>25,138</u>	<u>31,099</u>
Total	<u>\$ 104,933</u>	<u>\$ 145,320</u>

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

NOTE 12 GRANTS PAYABLE

Grants payable represents outstanding commitments to recipients for future cash transfers. The full grant is recognized when the recipient passes through the entire enrollment process. Grants payable are 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, 2017 and 2016 are expected to be paid within six 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, 2017 and 2016, which includes any associated transfer fees, were as follows:

	<u>2017</u>	<u>2016</u>
Kenya Campaigns	\$ 3,725,876	\$ 5,675,181
Uganda Campaigns	1,188,776	4,210,036
Rwanda Campaigns	<u>1,153,588</u>	<u>248,636</u>
	6,068,240	10,133,853
Fair value adjustment	<u>(574,215)</u>	<u>-</u>
Grants payable, net	<u>\$ 5,494,025</u>	<u>\$ 10,133,853</u>

NOTE 12 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, 2017. In 2017, the grants associated with the Basic Income campaign that are to be distributed in over 12 months have been reflected at fair value using a present value technique. Grants payable consists of the following:

	<u>2017</u>	<u>2016</u>
<i>Kenya Campaigns</i>		
Less than one year	\$ 653,584	\$ 5,395,863
One to five years	1,280,005	120,189
Over five years	1,218,074	159,129
<i>Uganda Campaigns</i>		
Less than one year	1,188,775	4,210,036
<i>Rwanda Campaigns</i>		
Less than one year	<u>1,153,587</u>	<u>248,636</u>
Grants payable, net	<u>\$ 5,494,025</u>	<u>\$ 10,133,853</u>

NOTE 13 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 and 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, 2017 and 2016, 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. For 2017, the Board voted on the specific campaigns for these funds in March 2017. For 2016, 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, Rwanda, and the U.S.
- Net assets designated for use in fundraising
- Net assets held in reserve to enable GiveDirectly to fund 18 months' salary for key personnel

GIVEDIRECTLY, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 13 BOARD-DESIGNATED NET ASSETS *(continued)*

Board-designated net assets at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Pending allocation	\$ 14,394,958	\$ 8,064,000
Kenya campaigns	12,811,420	13,221,007
Uganda campaigns	438,970	1,449,962
Rwanda campaigns	-	3,791,380
Fundraising	288,849	1,883,687
Salary reserves	1,850,000	1,850,000
Total	<u>\$ 29,784,197</u>	<u>\$ 30,260,036</u>

NOTE 14 TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
<i>Purpose restricted</i>		
Cash transfer programming	<u>\$ 23,449,495</u>	<u>\$ 14,779,246</u>
Total	<u>\$ 23,449,495</u>	<u>\$ 14,779,246</u>

During 2017 and 2016, net assets were released from restrictions based upon the satisfaction of the following purpose restrictions:

	<u>2017</u>	<u>2016</u>
Cash transfer programming	<u>\$ 11,376,767</u>	<u>\$ 11,092,815</u>
Total	<u>\$ 11,376,767</u>	<u>\$ 11,092,815</u>

NOTE 15 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. Amounts held in U.S. financial institutions occasionally exceed the Federal Deposit Insurance Corporation limit of \$250,000. 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.

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.

In Africa, 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. GiveDirectly's projects in the U.S. were similarly dependent on a limited number of providers to deliver its transfers.

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

During the year ended December 31, 2017 and 2016, GiveDirectly received approximately 30% and 31%, respectively, 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. However, the top donors have changed each year indicating revenue sources are consistently obtained to fund the operations of GiveDirectly. All current campaigns and recipients are fully funded prior to enrollment, therefore there would be no risk to current campaigns.

NOTE 16 CONTINGENCIES

GiveDirectly is involved in certain legal proceedings arising in the ordinary course of its business. Management believes that these legal proceedings will not have a material adverse effect on GiveDirectly's financial position, changes in net assets, or cash flows.

NOTE 17 OPERATING LEASE COMMITMENTS

In New York, GiveDirectly has a semiannual lease with Segovia, who rents office space in a co-working space. In London, GiveDirectly rents office space month-to-month in a co-working space. 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, 2017 and 2016 was \$267,949 and \$169,697, respectively.

NOTE 18 RELATED-PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016, two members 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, 2017 and 2016, with an estimated fair value of \$133,524 and \$199,347, respectively. The related salary and fringe expense has been allocated between fundraising and management and general expenses based on the individuals' time tracking and is reflected within donated goods and services expenses in the accompanying statements of functional expenses for the years ended December 31, 2017 and 2016.

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.

NOTE 18 RELATED-PARTY TRANSACTIONS *(continued)*

In 2016, Segovia donated its software and services to GiveDirectly. The in-kind donation of the software and associated services were valued at \$52,454 for the delivery of approximately \$5,170,928 of grant transfers that were disbursed January through April of 2016. Effective with May 2016 transfers, Segovia no longer donates the software and services to GiveDirectly and instead charges at a fixed percentage of grant transfers. For the year ended December 31, 2017 and 2016, Segovia software expense totaled \$374,550 and 305,162, respectively and has been reflected in program services on the statement of activities. The software fee due to Segovia for grant transfers scheduled to occur in 2018 is \$65,903 and is reflected in the statements of financial position under current liabilities as due to related party. The software fee due to Segovia for grant transfers disbursing in two or more years totals \$49,157 at December 31, 2017 and is reflected in the statements of financial position under noncurrent liabilities as due to related party. The software fee payable balance as of December 31, 2016 was \$268,742.

Segovia also shares two employees with GiveDirectly, who provide administrative support. For the year ended December 31, 2017 and 2016, a salary allocation for these employees of \$84,238 and \$56,794 was billed to Segovia by GiveDirectly, of which \$7,892 and \$20,503 was unpaid as of December 31, 2017 and 2016, respectively. The unpaid portion is included in the accompanying statements of financial position as due from related party.

In 2017, GiveDirectly began using Segovia mobile money wallets for delivery of cash transfers to the recipients in East Africa. As of December 31, 2017, the amount of funds that GiveDirectly held with Segovia that had not yet been disbursed by Segovia to the recipients totaled \$195,009. This amount is included in the accompanying statements of financial position as due from related party.

GiveDirectly entered into an agreement with Segovia on January 2017, whereby GiveDirectly agreed to pay Segovia \$13,198 monthly (and pay \$17,425 towards the security deposit), representing its proportionate share of the shared space. The unpaid portion of the rent as of December 31, 2017 was \$13,462 and is included in the accompanying statements of financial position under current liabilities as due to related party.

Effective October 28, 2015, an entity was established in the United Kingdom (GiveDirectly UK) for the purpose of fundraising in the United Kingdom for the prevention or relief of poverty anywhere in the world. GiveDirectly does not control or direct any of the activities of GiveDirectly UK. However, the Chairman and co-founder of GiveDirectly is one of several members of GiveDirectly UK Board of Directors. During 2017 and 2016, GiveDirectly received from GiveDirectly UK \$494,672 and \$41,072, respectively. Both donations are included in foundation contributions in the accompanying statements of activities.

NOTE 18 **RELATED-PARTY TRANSACTIONS** *(continued)*

On December 21, 2016, GiveDirectly was registered under the Companies Act 2006 as having established a UK Establishment in the United Kingdom. This is a branch of GiveDirectly and a separate entity from GiveDirectly UK, and consists of three UK employees involved primarily in fundraising and programmatic operational work. The assets, liabilities, revenue, and expenses associated with the UK entity are included in the financial statements presented here.

NOTE 19 **SUBSEQUENT EVENTS**

GiveDirectly has evaluated events subsequent to December 31, 2017 through November 13, 2018, the date on which the financial statements were available for issuance, and determined that there were no material subsequent events other than disclosed below.

In January 2018, GiveDirectly received a \$3.6 million award from USAID to begin cash transfer operations in Liberia. In April 2018, GiveDirectly received a \$3 million award to begin cash transfer operations in the Democratic Republic of the Congo (DRC) and a \$3.75 million award to begin cash transfer operations in Malawi. Similar to GiveDirectly's USAID award in Rwanda, the Liberia, DRC, and Malawi awards are all milestone based grants. GiveDirectly is in the process of setting up offices and teams in the respective countries for these projects.

