

**GIVEDIRECTLY, INC.**

**Financial Statements, Supplementary Information and  
Audit Reports in Accordance with the Uniform Guidance  
For the Years Ended December 31, 2018 and 2017  
With Independent Auditor's Report**



**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER

**GIVEDIRECTLY, INC.**  
Financial Statements and Additional Information  
Years Ended December 31, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Management and Board of Directors  
GiveDirectly, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of GiveDirectly, Inc. (GiveDirectly), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GiveDirectly, Inc. as of December 31, 2018 and 2017, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2018, GiveDirectly adopted Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated August 9, 2019 on our consideration of GiveDirectly's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,



**MITCHELL TITUS**

and not to provide an opinion on the effectiveness of GiveDirectly's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GiveDirectly's internal control over financial reporting and compliance.

*Mitchell Titus, LLP*

August 9, 2019

**GIVEDIRECTLY, INC.**  
 Statements of Financial Position  
 As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 41,577,545	\$ 67,463,147
Investments	37,625,219	7,719,704
Contributions receivable	3,298,261	4,494,140
Accounts and interest receivable	619,939	42,145
Due from related party	185,280	202,901
Prepaid expenses and other assets	313,885	258,613
Inventory	86,220	132,680
Total current assets	<u>83,706,349</u>	<u>80,313,330</u>
<i>Noncurrent assets</i>		
Contributions receivable, net	3,280,558	4,320,178
Fixed assets, net of accumulated depreciation	85,637	77,140
<b>Total assets</b>	<u>\$ 87,072,544</u>	<u>\$ 84,710,648</u>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 277,270	\$ 313,470
Due to related party	87,028	79,365
Grants payable, net	11,150,426	2,995,946
Total current liabilities	<u>11,514,724</u>	<u>3,388,781</u>
<i>Noncurrent liabilities</i>		
Due to related party	-	49,157
Grants payable, net	10,714,860	2,498,079
Total noncurrent liabilities	<u>10,714,860</u>	<u>2,547,236</u>
Total liabilities	<u>22,229,584</u>	<u>5,936,017</u>
<i>Net assets</i>		
Without donor restrictions	54,108,525	55,325,136
With donor restrictions	10,734,435	23,449,495
Total net assets	<u>64,842,960</u>	<u>78,774,631</u>
<b>Total liabilities and net assets</b>	<u>\$ 87,072,544</u>	<u>\$ 84,710,648</u>

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

**GIVEDIRECTLY, INC.**  
Statement of Activities  
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
Foundation contributions	\$ 7,275,887	\$ 9,487,995	\$ 16,763,882
Corporate contributions	2,330,174	2,580	2,332,754
Federated campaigns	11,647	-	11,647
General contributions	23,602,501	3,554,352	27,156,853
Federal grants	2,624,146	-	2,624,146
	<u>35,844,355</u>	<u>13,044,927</u>	<u>48,889,282</u>
Stock donations	4,010,609	4,954	4,015,563
Contributed goods and services	312,866	-	312,866
<i>Investment returns</i>			
Interest income	1,699,980	3,327	1,703,307
Realized gain/(loss) on investments	(176,544)	-	(176,544)
Unrealized gain/(loss) on investments	(27,892)	-	(27,892)
Total investment returns	1,495,544	3,327	1,498,871
Foreign exchange transactions	699,082	-	699,082
Other income	1,830	-	1,830
Net assets released from restrictions	25,768,268	(25,768,268)	-
Total support, revenues and reclassifications	<u>68,132,554</u>	<u>(12,715,060)</u>	<u>55,417,494</u>
<b>EXPENSES</b>			
Program services	66,064,821	-	66,064,821
Management and general	1,199,812	-	1,199,812
Fundraising	2,084,532	-	2,084,532
Total expenses	<u>69,349,165</u>	<u>-</u>	<u>69,349,165</u>
Changes in net assets	(1,216,611)	(12,715,060)	(13,931,671)
Net assets, beginning of year	<u>55,325,136</u>	<u>23,449,495</u>	<u>78,774,631</u>
<b>Net assets, end of year</b>	<u>\$ 54,108,525</u>	<u>\$ 10,734,435</u>	<u>\$ 64,842,960</u>

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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
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
International 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 returns</i>			
Interest income	485,681	-	485,681
Realized gain/(loss) on investments	40,849	-	40,849
Unrealized gain/(loss) on investments	94,917	-	94,917
Total investment returns	621,447	-	621,447
Foreign exchange transactions	443,469	-	443,469
Other income	4,410	-	4,410
Net assets released from restrictions	11,376,767	(11,376,767)	-
Total support, revenues and reclassifications	<u>43,183,709</u>	<u>8,670,249</u>	<u>51,853,958</u>
<b>EXPENSES</b>			
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>
<b>Net assets, end of year</b>	<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 Functional Expenses  
Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Direct grants	\$ 59,205,465	\$ -	\$ -	\$ 59,205,465
Personnel costs	3,158,164	294,544	1,418,512	4,871,220
Professional and service fees	313,096	369,927	36,271	719,294
Other travel	668,596	23,890	59,782	752,268
Telecom and software	726,066	126,550	132,205	984,821
Donated goods and services	9,464	87,820	215,582	312,866
Mobile money and banking	661,463	10,721	161,111	833,295
Foreign exchange translation	211,480	781	-	212,261
Occupancy	177,620	136,953	-	314,573
Equipment	77,816	2,041	6,942	86,799
Air travel	78,458	19,984	44,654	143,096
Supplies	147,248	87,243	8,105	242,596
Insurance	5,017	31,732	-	36,749
Depreciation	22,977	2,401	1,360	26,738
Compliance	451	1,600	-	2,051
Other expenses	1,440	3,625	8	5,073
Grant expense	600,000	-	-	600,000
<b>Total expenses</b>	<u>\$ 66,064,821</u>	<u>\$ 1,199,812</u>	<u>\$ 2,084,532</u>	<u>\$ 69,349,165</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>
<b>EXPENSES</b>				
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
<b>Total expenses</b>	<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.**  
 Statements of Cash Flows  
 Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (13,931,671)	\$ 13,056,689
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	26,738	20,918
Stock donations	(4,015,563)	(530,953)
Realized (gain)/loss on investments	176,544	(40,849)
Unrealized (gain)/loss on investments	27,892	(94,917)
Net (gain)/loss on foreign currency translation	(212,261)	23,885
<i>Changes in operating assets and liabilities</i>		
Contributions receivable	2,235,499	(1,014,650)
Accounts and interest receivable	(577,794)	(18,361)
Due from related party	17,621	(182,398)
Prepaid expenses and other assets	(55,272)	(127,587)
Inventory	46,460	(8,938)
Accounts payable and accrued expenses	(36,200)	52,634
Due to related party	(41,494)	(140,220)
Grants payable, net	16,371,261	(4,639,828)
Net cash provided by operating activities	<u>31,760</u>	<u>6,355,425</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(36,559,933)	(14,325,139)
Sale of investments	6,504,061	9,489,396
Proceeds from sale of stock donations	3,961,482	562,035
Purchase of fixed assets	(35,233)	(80,117)
Net cash used in investing activities	<u>(26,129,623)</u>	<u>(4,353,825)</u>
Effect of exchange rate changes on cash, net	<u>212,261</u>	<u>(23,885)</u>
Net (decrease)/increase in cash and cash equivalents	(25,885,602)	1,977,715
Cash and cash equivalents, beginning of year	<u>67,463,147</u>	<u>65,485,432</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 41,577,545</u>	<u>\$ 67,463,147</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 send cash transfers directly to people in need. GiveDirectly operates primarily in Kenya, Uganda, Rwanda, Liberia, Malawi, and the Democratic Republic of the Congo (DRC). GiveDirectly began operations in Liberia, Malawi, and the DRC in 2017 and began enrollment in Liberia in 2018. 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. The programs were completed in April 2018.

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. As a general practice, GiveDirectly does not regularly re-grant to any other organization; however, 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.

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. In 2018 and 2017, GiveDirectly received federal grants as part of its work in Rwanda, Liberia, Malawi and the DRC. 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 in conformity with U.S. GAAP 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 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, 2018 and 2017, there was no allowance for uncollectible contributions.

Net Assets

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

*Without Donor Restrictions.* Net assets that are not subject to donor-imposed restrictions that may be expendable for any purpose in achieving GiveDirectly's mission, including at the discretion of the Board of Directors.

See Note 15 for more information on the composition of net assets without donor restrictions.

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

Net Assets *(continued)*

*With Donor Restrictions.* Net assets that are subject to donor-imposed time and/or purpose restrictions. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the accompanying statements of activities as net assets released from restrictions. At December 31, 2018 and 2017, there are no donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or removed by the actions of GiveDirectly.

See Note 14 for more information on the composition of net assets with donor restrictions.

Revenue Recognition

Unconditional contributions are recognized when received. Such contributions are reported as increases in revenue without donor restrictions 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 revenue with donor restrictions. GiveDirectly reports donor-restricted contributions whose restrictions are met in the same reporting period as revenue without donor restrictions. 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 revenue with donor restrictions 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 revenue without donor restrictions, as GiveDirectly did not invest any net assets with restrictions in 2018 and 2017.

In January 2018, GiveDirectly received a \$3.6 million award from the United States Agency for International Development (USAID) to begin cash transfer operations in Liberia. In April 2018, GiveDirectly received a \$3 million award to begin cash transfer operations in the DRC and a \$3.75 million award to begin cash transfer operations in Malawi. The Liberia, DRC, and Malawi awards are all milestone-based grants.

GiveDirectly's federal grants are milestone based. Therefore, revenue is recognized once all the requirements related to each milestone have been achieved, the milestone reporting package has been submitted to USAID and USAID has given their unofficial approval.

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

Revenue Recognition *(continued)*

In 2018, approximately \$2,624,000 and \$624,000 of federal grant revenue was recognized for the years ended 2018 and 2017, respectively, and it is expected that over the course of the next three years approximately \$8,350,000 in additional revenue will be recognized when further milestones are achieved.

The milestones are consistent for all of the USAID grant awards and include the following.

- Resource mobilization with the execution of award documents - approximately \$250,000 and \$0 of federal grant revenue was recognized for the years ended December 31, 2018 and 2017, respectively.
- Submission of grant paperwork with the work plan approved by USAID - approximately \$1,425,000 and \$0 of federal grant revenue was recognized for the years ended December 31, 2018 and 2017, respectively.
- Completion of orientation and start-up events, including briefing with stakeholders, project design and local hiring - approximately \$325,000 and \$0 of federal grant revenue was recognized for the years ended December 31, 2018 and 2017, respectively.
- Analysis of pilot results received and approved by USAID - federal grant revenue was not recognized on this milestone for the years ended December 31, 2018 and 2017.
- Completion of recipient registration - approximately \$550,000 and \$550,000 of federal grant revenue was recognized for the years ended December 31, 2018 and 2017, respectively.
- Distribution of at least 90% of grant funds to household recipients complete - approximately \$74,000 and \$74,000 of federal grant revenue was recognized for the years ended December 31, 2018 and 2017, respectively.
- Summarization of key operational learning on household grant delivery and submission of dissemination plan to share operational learnings with key stakeholders - federal grant revenue was not recognized on this milestone for the years ended December 31, 2018 and 2017.
- Completion of a dissemination event on operational learning on household grant distribution - federal grant revenue was not recognized on this milestone for the years ended December 31, 2018 and 2017.

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

Revenue Recognition *(continued)*

All milestones are deemed substantive due to certainty in GiveDirectly's ability to complete each milestone. The work plans have been completed for each award with orientation and start-up activities including local hiring underway or completed. With the successful completion of the cash transfer operation in Rwanda, GiveDirectly has an established and proven infrastructure in place to successfully complete the requirements of the milestones.

As of December 31, 2018, GiveDirectly had achieved certain milestones in Liberia and Malawi, but have not yet been paid by USAID for those milestones. The amount of unpaid milestones in 2018 was \$325,000 and is reflected in the accounts receivable at December 31, 2018 in the accompanying statement of financial position.

The USAID awards to support cash transfer operations in Liberia, the Democratic Republic of the Congo (DRC) and Malawi were matched through board-designated funds stemming from a 2015 unconditional donation of \$10,350,000 from a corporate donor.

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 a cash transfer program in Uganda. The total contribution was recognized as revenue in 2017.

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 2018 and 2017, 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 2018 and 2017, 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. The statements of functional expenses present expenses by function and natural classification. Some categories of expense are attributable to more than one activity and require allocation, applied on a consistent basis. Salaries, benefits and donated time are allocated on the basis of employee/volunteer time records. Other expenses are assigned directly to specific activities as expenditures are made.



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

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 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 19 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.

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 \$236,457 and \$0 in accrued interest receivable recorded at December 31, 2018 and 2017, 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. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses less external and direct internal investment expenses. Investment expenses were \$27,832 and \$27,664 for the years ended December 31, 2018 and 2017, respectively.

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

Accounting Pronouncements Adopted During the Current Year

In 2018, GiveDirectly adopted Accounting Standards Update (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. GiveDirectly has applied the ASU retrospectively to all periods presented, there was no effect on the change in net assets reported at December 31, 2017.

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.

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 U.S. 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.

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.

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

Reclassifications

Certain 2017 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, 2018 and 2017, 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 2015.

**NOTE 4 LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprised the following:

	<u>2018</u>
Cash and cash equivalents	\$ 41,577,545
Accounts and interest receivable	619,939
Contributions receivable	3,298,261
Short-term investments	<u>37,625,219</u>
	<u>\$ 83,120,964</u>
<i>Less: Amounts unavailable for general expenditures within one year, due to</i>	
Restricted by donors with time or purpose restrictions	\$(10,734,435)
Board designation	<u>(35,131,390)</u>
	<u>\$ 37,255,139</u>

**NOTE 4 LIQUIDITY AND AVAILABILITY OF RESOURCES** *(continued)*

As part of GiveDirectly’s liquidity management, funds that are intended to be spent on general expenditures within the next two years are held in bank fixed or floating deposits or liquid government securities with maturities matched to when funds will be needed. Funds held for an indefinite period are held in an investment portfolio based on the requirements outlined in GiveDirectly’s investment policy.

**NOTE 5 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 6 INVESTMENTS**

Investments held by GiveDirectly at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
<i>At fair value</i>		
Equities	\$ 396,160	\$ 884,548
Mutual funds	888,921	2,077,124
U.S. Government obligations	32,864,244	1,945,452
Corporate bonds	1,557,322	2,801,326
Other interest-bearing cash and cash equivalents	<u>1,918,572</u>	<u>11,254</u>
<b>Total investments</b>	<u>\$ 37,625,219</u>	<u>\$ 7,719,704</u>

**NOTE 7 EXCHANGE RATE CHANGES ON BALANCES HELD IN FOREIGN CURRENCY**

GiveDirectly holds cash and liability balances in Kenya, Uganda, Rwanda, Liberia and Malawi 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 and liability balances from foreign exchange rate changes was a gain of \$212,261 and a loss of \$23,885 for the years ended December 31, 2018 and 2017, respectively, net of costs charged on foreign exchange transactions. In 2018 and 2017, the gain/loss is reflected as part of program services in the statement of activities.

**NOTE 7      EXCHANGE RATE CHANGES ON BALANCES HELD IN FOREIGN CURRENCY** *(continued)*

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 \$699,082 and \$443,469 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 8      FAIR VALUE MEASUREMENTS**

GiveDirectly values its investments in accordance with FASB 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.

**NOTE 8 FAIR VALUE MEASUREMENTS** *(continued)*

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, 2018 and 2017. 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.

	<b>December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 9,130	\$ -	\$ 387,030	\$ 396,160
Mutual funds	888,921	-	-	888,921
U.S. Government obligations	-	32,864,244	-	32,864,244
Corporate bonds	-	1,557,322	-	1,557,322
Interest-bearing cash	29,589,142	-	-	29,589,142
Other interest-bearing cash and cash equivalents	1,918,572	-	-	1,918,572
	<b>\$ 32,405,765</b>	<b>\$ 34,421,566</b>	<b>\$ 387,030</b>	<b>\$ 67,214,361</b>
	<b>December 31, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
Other interest-bearing cash and cash equivalents	44,764,254	-	-	44,764,254
	11,254	-	-	11,254
	<b>\$ 47,350,150</b>	<b>\$ 15,596,617</b>	<b>\$ 387,030</b>	<b>\$ 63,333,797</b>

The Level 3 equities consist 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, 2018 and 2017 based on an independent appraisal valuation performed by a third-party specialist.

**GIVEDIRECTLY, INC.**  
Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

**NOTE 8 FAIR VALUE MEASUREMENTS** *(continued)*

Changes in the fair value of the Level 3 assets for the years ended December 31, 2018 and 2017 are as follow:

Fair value, at December 31, 2016	\$ 387,030
Purchases	-
Unrealized gain	-
	<hr/>
Fair value, at December 31, 2017	387,030
Purchases	-
Unrealized gain	-
	<hr/>
<b>Fair value, at December 31, 2018</b>	<b>\$ 387,030</b>

**NOTE 9 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 \$86,220 and \$132,680 at December 31, 2018 and 2017, respectively. Inventory is reported at the lower of cost or net realizable value on a first-in, first-out basis.

**NOTE 10 CONTRIBUTIONS RECEIVABLE**

GiveDirectly has received promises to give from donors as of December 31, 2018 and 2017 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, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 3,298,261	\$ 4,494,140
One to five years	2,936,667	3,565,761
Five years or more	850,000	1,433,333
	<hr/>	<hr/>
	7,084,928	9,493,234
Less: Fair value adjustment	(506,109)	(678,916)
	<hr/>	<hr/>
<b>Contributions receivable, net</b>	<b>\$ 6,578,819</b>	<b>\$ 8,814,318</b>

**GIVEDIRECTLY, INC.**  
Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

**NOTE 11      FIXED ASSETS**

Fixed assets, net at December 31, 2018 and 2017, are comprised of the following:

	<u>2018</u>	<u>2017</u>
Computer hardware and equipment	\$ 54,002	\$ 39,280
Furniture and fixtures	94,626	74,125
	148,628	113,405
Less: Accumulated depreciation	62,991	36,265
<b>Fixed assets, net</b>	<u>\$ 85,637</u>	<u>\$ 77,140</u>

**NOTE 12      ACCRUED EXPENSES**

Accrued expenses at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Accrued professional fees	\$ 197,322	\$ 66,878
Accrued payroll	7,248	12,917
Other accrued expenses	1,457	25,138
<b>Total</b>	<u>\$ 206,027</u>	<u>\$ 104,933</u>

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

**NOTE 13      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, 2018 and 2017 are expected to be paid within 12 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, 2018 and 2017, which include any associated transfer fees, were as follows:



**GIVEDIRECTLY, INC.**  
Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

**NOTE 13 GRANTS PAYABLE (continued)**

	<u>2018</u>	<u>2017</u>
Kenya Campaigns	\$ 21,861,947	\$ 3,725,876
Uganda Campaigns	1,351,025	1,188,776
Rwanda Campaigns	1,233,510	1,153,588
Liberia Campaigns	595,688	-
	25,042,170	6,068,240
Fair value adjustment	<u>(3,176,884)</u>	<u>(574,215)</u>
<b>Grants payable, net</b>	<u><b>\$ 21,865,286</b></u>	<u><b>\$ 5,494,025</b></u>

The table below breaks down these grants payable by the timeframe in which they will be paid. Aside from grants associated with the Basic Income campaign, all grants are scheduled to be paid within 12 months following December 31, 2018. In 2018, 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 consisted of the following:

	<u>2018</u>	<u>2017</u>
<i>Kenya Campaigns</i>		
Less than one year	\$ 7,970,203	\$ 653,584
One to five years	5,327,713	1,280,005
Over five years	5,387,147	1,218,074
<i>Uganda Campaigns</i>		
Less than one year	1,351,025	1,188,775
<i>Rwanda Campaigns</i>		
Less than one year	1,233,510	1,153,587
<i>Liberia Campaigns</i>		
Less than one year	595,688	-
	<u>\$ 21,865,286</u>	<u>\$ 5,494,025</u>

**NOTE 14 NET ASSETS WITH DONOR RESTRICTION**

At December 31, 2018 and 2017, net assets with donor restriction consist of the following:

	<u>2018</u>	<u>2017</u>
<i>Purpose restricted</i>		
Cash transfer programming	<u>\$ 10,734,435</u>	<u>\$ 23,449,495</u>
<b>Total</b>	<u><b>\$ 10,734,435</b></u>	<u><b>\$ 23,449,495</b></u>

**NOTE 14 NET ASSETS WITH DONOR RESTRICTION** *(continued)*

During 2018 and 2017, net assets were released from restrictions based upon the satisfaction of the following purpose restrictions:

	<u>2018</u>	<u>2017</u>
Cash transfer programming	<u>\$ 25,768,268</u>	<u>\$ 11,376,767</u>
<b>Total</b>	<u><u>\$ 25,768,268</u></u>	<u><u>\$ 11,376,767</u></u>

**NOTE 15 NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions are comprised of the following two categories:

- Board-designated funds for a specific purpose
- Undesignated funds

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, 2018 and 2017, 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 2018, the Board voted on the specific campaigns for these funds in March 2018. For 2017, the Board voted on the specific campaigns for these funds in March 2017.
- Net assets designated for specific campaigns in Kenya, Uganda, and Rwanda, Liberia, Malawi, DRC, 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

**NOTE 15 NET ASSETS WITHOUT DONOR RESTRICTIONS** *(continued)*

Undesignated funds are funds received with no donor restriction which the Board has not applied self-imposed restrictions.

	<u>2018</u>	<u>2017</u>
<i>Without donor restrictions</i>		
Designated by the Board (for purpose)	\$ 35,131,390	\$ 29,784,197
Undesignated	<u>18,977,135</u>	<u>25,540,939</u>
	<u>\$ 54,108,525</u>	<u>\$ 55,325,136</u>

GiveDirectly's governing board has designated from net assets without donor restrictions of \$54,108,525 and \$55,325,136, respectively, net assets for the following purposes at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pending allocation	\$ 12,676,881	\$ 14,394,958
Kenya campaigns	6,301,412	12,811,420
Uganda campaigns	2,967,344	438,970
Rwanda campaigns	244,215	-
Liberia campaigns	3,177,320	-
Malawi campaigns	3,682,345	-
DRC campaigns	2,924,171	-
Fundraising	507,702	288,849
Salary reserves	<u>2,650,000</u>	<u>1,850,000</u>
<b>Total</b>	<u>\$ 35,131,390</u>	<u>\$ 29,784,197</u>

**NOTE 16 CONCENTRATIONS OF RISK**

GiveDirectly holds cash sufficient to cover approximately one year of budgeted expenses in financial institutions across Kenya, Uganda, Rwanda, Liberia, DRC, Malawi and the U.S. Cash and cash equivalents are exposed to various risks, such as custodial credit risks. 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 or funds are needed for near-term expenses. 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.

**NOTE 16      CONCENTRATIONS OF RISK** *(continued)*

In Africa, GiveDirectly utilizes electronic payments systems to transfer funds directly to individual recipients. It is dependent on a limited number of providers 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 Africa.

During the years ended December 31, 2018 and 2017, GiveDirectly received approximately 29% and 30%, respectively, of its total revenue from its two largest donors. 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 17      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 the financial position, changes in net assets, or cash flows of GiveDirectly.

**NOTE 18      OPERATING LEASE COMMITMENTS**

In New York, GiveDirectly has a semiannual lease with Segovia, which rents office space in a co-working location. In London, GiveDirectly has a one-year lease in a co-working space beginning December 2018. In Kenya, there is a six-year cancellable lease beginning January 2017 in an office in Nairobi. In Uganda, there is also a two-year cancelable lease in an office in Kampala beginning October 2018, which can be terminated with two months' notice. In Rwanda, there is a two-year cancellable lease, commencing May 2017 and ending December 2019. In the DRC, GiveDirectly sublets a room on a month-to-month basis. In Malawi, GiveDirectly has a one-year cancellable lease in an office in Lilongwe beginning in January 2019, which can be terminated with three months' notice. In Liberia, GiveDirectly signed a two-year office lease commencing in September 2018.

Rent expense for the years ended December 31, 2018 and 2017 was \$277,046 and \$267,949, respectively.

**NOTE 19 RELATED-PARTY TRANSACTIONS**

During the years ended December 31, 2018 and 2017, GiveDirectly's President and the Chairman of the Board 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 statements of activities for the years ended December 31, 2018 and 2017, with an estimated fair value of \$246,513 and \$133,524, respectively. The related salary and fringe benefit expense have 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, 2018 and 2017.

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 charges GiveDirectly a fixed percentage of grant transfers for software services. For the years ended December 31, 2018 and 2017, Segovia software expenses totaled \$686,189 and \$374,550, respectively, and have been reflected in program services on the statements of activities. In 2018, GiveDirectly changed their approach to accounting for transfer-related fees. Contrary to recognizing Segovia software expenses when transfer commitments are made, as was done before 2018, in 2018, GiveDirectly began recognizing Segovia software expense when the service is provided and transfer has been disbursed to the recipient. The change in methodology was made prospectively due to the overall immateriality to the financial statements. Therefore, for the year ended December 31, 2018, there is no liability for the software fee due to a Segovia.

During 2018 and 2017, Segovia also shared two employees with GiveDirectly, who provided administrative support. For the years ended December 31, 2018 and 2017, a salary allocation for these employees of \$64,855 and \$84,238 was billed to Segovia by GiveDirectly, of which \$4,108 and \$7,892 was unpaid as of December 31, 2018 and 2017, respectively. The unpaid portion is included in the accompanying statements of financial position as due from related party.

**NOTE 19 RELATED-PARTY TRANSACTIONS** *(continued)*

In 2017, GiveDirectly began using Segovia mobile money wallets for delivery of cash transfers to the recipients in East Africa. For the years ended December 31, 2018 and 2017, the amount of funds that GiveDirectly held with Segovia that had not yet been disbursed by Segovia to the recipients totaled \$181,172 and \$195,009, respectively. These amounts are included in the accompanying statements of financial position as due from related party. For the years ended December 31, 2018 and 2017, the amount of fees related to transfers not yet paid to Segovia totaled \$71,145 and \$65,903, respectively. These amounts are included in the accompanying statements of financial position as due to related party.

GiveDirectly entered into an agreement with Segovia in January 2017, whereby GiveDirectly agreed to pay Segovia \$13,198 monthly (and pay \$17,425 toward the security deposit), representing its proportionate share of the shared office space. The unpaid portion of the rent as of December 31, 2018 and 2017 was \$15,883 and \$13,462, respectively. These amounts are 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 the Board of Directors of GiveDirectly UK. During 2018 and 2017, GiveDirectly received from GiveDirectly UK \$1,056,128 and \$494,672, respectively. The 2018 donations are included in the general contributions and 2017 donations are included in the foundation contributions in the accompanying statements of activities.

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 five 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 20 SUBSEQUENT EVENTS**

GiveDirectly has evaluated events subsequent to December 31, 2018 through August 9, 2019, the date on which the financial statements were available for issuance, and determined that there were no material subsequent events other than those disclosed below.

**NOTE 20**      **SUBSEQUENT EVENTS** *(continued)*

In March 2019, Segovia announced that it was executing a sale of its enterprise business and payment gateway business to Crown Agents Bank, a UK-based regulated bank and financial services provider. This does not impact GiveDirectly as we do not expect the business relationship between GiveDirectly and Segovia to change. The new owners are honoring all of Segovia's existing contracts.

In April 2019, GiveDirectly signed a cooperative agreement with USAID for \$3.35 million to begin cash transfer operations in Morocco. GiveDirectly is in the process of setting up an office and team of resources for this project. In addition, a donation of \$293,786 was received from the United Nations High Commissioner for Refugees (UNHCR) for refugees in Rwanda.

**SUPPLEMENTARY INFORMATION**



**GIVEDIRECTLY, INC.**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
<i>United States Agency for International Development</i>				
U.S. Aid Foreign Assistance for Programs Overseas	98.001	N/A	\$ -	\$ 2,624,146
United States Agency for International Development			-	2,624,146
Total expenditures of federal awards			-	2,624,146
<b>Total federal expenditures</b>			<b>\$ -</b>	<b>\$ 2,624,146</b>

**GIVEDIRECTLY, INC.**

Notes to Schedule of Expenditure of Federal Awards  
For the Year Ended December 31, 2018

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the Federal award activity of GiveDirectly under the programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of GiveDirectly, it is not intended to, and it does not present the financial position, changes in net assets, or cash flows of the Organization.

The amounts reported in this Schedule reflect the Federal award payments earned based on completion of milestones under fixed amount awards. GiveDirectly's federal grants are milestone based and therefore revenue is recognized once the specified milestones are achieved

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The Schedule is prepared on an accrual basis of accounting. The amounts reported on the Schedule reflect the Federal award payments earned based on completion of milestones under fixed amount awards.

**NOTE 3 INDIRECT COST RATE**

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORTS**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Management and Board of Directors  
GiveDirectly, Inc.

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of GiveDirectly, Inc. (GiveDirectly), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated August 9, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered GiveDirectly's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GiveDirectly's internal control. Accordingly, we do not express an opinion on the effectiveness of GiveDirectly's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether GiveDirectly's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mitchell Titus, LLP*

August 9, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
Compliance IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To Management and the Board of Directors  
GiveDirectly, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited GiveDirectly's (GiveDirectly) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on GiveDirectly's major federal program for the year ended December 31, 2018. GiveDirectly's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for GiveDirectly's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GiveDirectly's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of GiveDirectly's compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, GiveDirectly complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

### **Report on Internal Control over Compliance**

Management of GiveDirectly is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GiveDirectly's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GiveDirectly's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mitchell Titus, LLP*

August 9, 2019

**GIVEDIRECTLY, INC.**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued (unmodified, qualified, adverse, or disclaimer):

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                           Yes     X   No
- Significant deficiency(ies) identified?                       Yes     X   None Reported
- Noncompliance material to financial statements noted?                           Yes     X   No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?                           Yes     X   No
- Significant deficiency(ies) identified?                       Yes     X   None Reported

Type of auditor's report issued on compliance for major federal programs (unmodified, qualified, adverse, or disclaimer):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       Yes     X   No

**Identification of major federal programs:**

CFDA Number(s)

Name of Federal Program or Cluster

98.001

U.S. Aid Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

       Yes     X   No



**GIVEDIRECTLY, INC.**

Schedule of Findings and Questioned Costs (*continued*)

For the Year Ended December 31, 2018

**PART II—FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

