



2014 Annual Report

Executive summary

Fellow donors,

We're working together – through the simple act of giving money directly the poor – to revolutionize the fight against global poverty. For a long time that fight was waged in an evidence vacuum, without experimental data on what worked and what did not. In that vacuum, negative stereotypes about the poor thrived. We've all heard the clichés over and over again: you can't just give them money. They'll stop working. They'll drink it.

Now we finally have experimental data – reams of it – showing nothing could be further from the truth. In fact, across dozens of studies (including a major evaluation of GiveDirectly transfers) the poor have used transfers sensibly to improve their lives. At the same time, new payments technologies like mobile money are connecting us financially to the poorest people on the planet. These two trends motivate our vision: a world in which cash transfers are the benchmark for all development spending. With every dollar we spend, we should ask ourselves the tough question – could the poor use this better than I can on their behalf?

In 2014 we took significant steps towards making this vision a reality.

- We grew transfers committed by 197%, from \$3.5M to \$10.4M, while maintaining our delivery efficiency from 85% to 95% across six campaigns.
- We grew revenue by 368%, from \$6.1M to \$28.7M, at a cost per dollar raised of just \$0.03.
- We drew strong endorsements – receiving GiveWell's top recommendation once again, and being named the 4th most innovative company in finance by Fast Company
- We innovated in the field, transitioning to a “parallel processing” operational model in Kenya, where we run all phases of the transfer process simultaneously instead of implementing each phase one after another. This substantially increased our capacity to deliver transfers.

We also took important steps to advance trust and transparency. In October, for example, we blogged openly our worst case of fraud to date (losing approximately 2% of a round of transfers in Uganda). Then in November we re-launched our website with industry-leading transparency features including real-time performance metrics and, where practicable, access to the raw underlying data to enable users to verify the numbers. This means you can see how well or poorly we're doing at the same as we do, without any filters. Shouldn't that be the norm?

The following pages provide more detail on our work and on 2014 in review. As you read, please note that we changed our fiscal year-end from August 31 to December 31; as a result, the audited financial statements that accompany this report cover two periods, 1 September 2013 – 31 August 2014 and 1 September 2014 – 31 December 2014. Figures cited in the annual report, on the other hand, refer to the 2014 calendar year, which is the basis on which we will report going forward.

Sincerely,

Paul Niehaus
Co-founder and President

Michael Faye
Co-founder and Executive Chairman



Governance and
Financial Statements

Board of Directors, US



Michael Faye, Director and Chairman

Michael completed a Ph.D. in Economics at Harvard University, specializing in Development and Finance. He has worked with one of India's largest banks in designing consumer finance products and has extensive experience conducting field research in India. Prior to returning to school, Michael worked as a Research Analyst for the United Nations Millennium Project (UNMP), a group headed by Jeffrey Sachs, tasked with preparing a plan for low-income countries to meet the Millennium Development Goals (MDGs).



Jacquelline Fuller, Director

Jacquelline Fuller leads Google.org, which provides more than \$100 million yearly to support tech innovators making transformational impact in areas such as education, development and renewable energy. She previously served as Deputy Director of Global Health at the Bill & Melinda Gates Foundation, where she was a member of the senior management team for eight years and helped launch a \$300 million initiative in India. She received her BA in political science from UCLA and a master's in public policy from the Kennedy School of Government at Harvard. Jacquelline currently serves on the board of the Eastern Congo Initiative.



Chris Hughes, Director

Chris is currently publisher and editor-in-chief of The New Republic. He previously co-founded and served as spokesperson for the social networking site Facebook, and served as Director of Online Organizing for the Obama 2008 campaign where he oversaw the development of My.BarackObama.com along with the campaign's overall online presence. He holds a B.A. magna cum laude in History and Literature from Harvard University.



Aly Jeddy, Director

Aly Sheezar Jeddy is a Director at McKinsey & Company. He has led the Firm's Private Equity & Principal Investing Practice for the Americas as well as the Strategy Practice on the U.S. East Coast. He is a member of the Board of Trustees of The Dalton School, the Board of Overseers of the International Rescue Committee, the board of the Aziz Jehan Begum Trust for the Blind, and the Council on Foreign Relations. Mr. Jeddy's experience includes work at the War Crimes Tribunal for the former Yugoslavia in the Office of the Prosecutor, at the World Bank, and with the leading human rights lawyer in Pakistan, advising the Prime Minister on advancing gender equality.



William Meehan, Director

Mr. Meehan III is the Lafayette Partners Lecturer for 2013–2014 at the Stanford University Graduate School of Business and a Director Emeritus of McKinsey & Company. Mr. Meehan is a regular writer, speaker, and advisor on nonprofit strategy, governance, performance measurement, and philanthropy. At Stanford, he is a founding member of the Advisory Council of the Center for Philanthropy and the Civil Society, a faculty member of the Public Management Program and the Center for Social Innovation, and a member of the Arts Initiative Council. During his 30-plus-year tenure at McKinsey & Company, Mr. Meehan worked with chief executives in technology, private equity, retail, financial services, and media on topics of top management strategy, organization, and leadership.



Paul Niehaus, Director and President

Paul is Assistant Professor of Economics at the University of California, San Diego; a Junior Affiliate at the Bureau for Research and Economic Analysis of Development (BREAD); an Affiliate of the Jameel Poverty Action Lab (J-PAL); and an Affiliate at the Center for Effective Global Action (CEGA). His research examines the design of welfare programs in developing countries, and in particular how to control corruption. He holds a Ph.D. in Economics from Harvard University.



Rohit Wanchoo, Director

Rohit is a Principal at a private equity firm in New York. He previously worked as a Research Analyst for the United Nations Millennium Project (UNMP), a group headed by Professor Jeffrey Sachs, tasked with preparing a plan for low-income countries to meet the Millennium Development Goals (MDGs). Prior to his work at the UN, Rohit worked in finance as an investment banker for Lehman Brothers in New York. Rohit holds an MBA from MIT Sloan and an MPA in International Development from the Harvard Kennedy School.

Board of Directors, Kenya



Raphael Gitau, Director

Raphael is an Agricultural Economist. He holds an M.Sc. in International Development from the National Graduate Institute of Policy Studies Tokyo, Japan and is widely experienced in socio-economic surveys and data analysis. He has over eight years experience working in the East Africa Region in agricultural policy research, analysis, and advocacy.



Joseph Mucheru, Director

Joseph is the Google Sub-Saharan Africa (SSA) ambassador as well as EIA Africa Lead, based in Nairobi. He joined Google in June 2007 where he leads the delivery of strategy, business planning and operations. Prior to joining Google he worked at Wananchi Online, a company he co-founded in 1999. He held various roles at the company including Chief Technology Officer, Strategy & Business Director and most recently Chief Executive Officer. He attended The Stanford Executive Program at Stanford University in 2008 before that he obtained his undergraduate degree (B Sc. (Hons)) in Economics & Computer Science at City University London in 1993. He was awarded the Moran of the order of the burning spear in December 2010 by his Excellency the President of the Republic of Kenya, Hon. Mwai Kibaki for his contribution to ICT in Kenya amongst other things. He is a member of The Africa Leadership Network as well as the East African Business Summit.



Samuel Mwamburi Mwale, Director

Samuel Mwamburi Mwale is Founder & CEO of Farasi Strategy Advisors Ltd, a firm that provides investment and strategy advice to public and private sector clients. He has served in senior positions in the Government of Kenya in the last 9 years, having served for five as Principal Administrative Secretary & Assistant Secretary to the Cabinet, in the Cabinet Office, Office of the President. Previously he served as Economic Secretary to the Presidency at State House and as Economic Advisor to Ministry of Planning & National Development and National Economic & Social Council. Mr. Mwale holds a master's degree in agricultural economics from University of Oxford, a Postgraduate Diploma in Development Economics from University of East Anglia, a Bachelor of Science in Range Management from University of Nairobi, and has attended executive training on policy analysis at Stanford University and leadership at Harvard University.

Leadership



Piali Mukhopadhyay, COO, International

Piali holds a master's degree in public administration from Princeton University's Woodrow Wilson School of Public and International Affairs and a bachelor's degree from MIT. She has extensive field experience working with non-governmental organizations in India, Nepal, Thailand, Zambia, and South Africa. Most recently, she worked for the Jameel Poverty Action Lab (J-PAL) managing a large-scale randomized control trial on anti-corruption measures in the state of Andhra Pradesh, India.

GIVEDIRECTLY, INC.

Financial Statements

For the Year Ended August 31, 2014

and Four Month Period Ended December 31, 2014

With Report of Independent Auditors

GIVEDIRECTLY, INC.
Year Ended August 31, 2014
and Four Month Period Ended December 31, 2014

TABLE OF CONTENTS

	<u>Page(s)</u>
REPORT OF INDEPENDENT AUDITORS	1–2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4–5
Statements of Cash Flows	6
Statements of Functional Expenses	7–8
Notes to Financial Statements	9–19

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
GiveDirectly, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of GiveDirectly, Inc., which comprise the statements of financial position as of August 31, 2014 and December 31, 2014, the related statements of activities, cash flows and functional expenses for the year ended August 31, 2014 and for the period from September 1, 2014 to December 31, 2014, 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 conformity with U.S. generally accepted accounting principles; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GiveDirectly, Inc. as of August 31, 2014 and December 31, 2014, and the changes in its net assets and its cash flows for the year ended August 31, 2014 and for the period from September 1, 2014 to December 31, 2014 in conformity with U.S. generally accepted accounting principles.

Mitchell & Titus, LLP

July 10, 2015

GIVEDIRECTLY, INC.
Statements of Financial Position
As of August 31, 2014 and December 31, 2014

	August 31, 2014	December 31, 2014
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 15,438,648	\$ 25,641,704
Contributions receivable	-	1,000,000
Prepaid expenses	11,464	7,680
Trades pending settlement receivable	-	1,928
Inventory	27,007	5,581
Security deposit	5,456	5,456
Total current assets	<u>15,482,575</u>	<u>26,662,349</u>
Fixed assets, net of accumulated depreciation	<u>12,018</u>	<u>11,897</u>
Total assets	<u><u>\$ 15,494,593</u></u>	<u><u>\$ 26,674,246</u></u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accrued expenses	\$ 46,063	\$ 79,449
Grants payable	<u>3,027,838</u>	<u>5,700,019</u>
Total current liabilities	<u>3,073,901</u>	<u>5,779,468</u>
Total liabilities	<u>3,073,901</u>	<u>5,779,468</u>
<i>Net assets</i>		
Unrestricted		
Board-designated	10,195,674	12,513,930
Undesignated	<u>1,537,559</u>	<u>5,256,533</u>
Total unrestricted net assets	<u>11,733,233</u>	<u>17,770,463</u>
Temporarily restricted	<u>687,459</u>	<u>3,124,315</u>
Total net assets	<u>12,420,692</u>	<u>20,894,778</u>
Total liabilities and net assets	<u><u>\$ 15,494,593</u></u>	<u><u>\$ 26,674,246</u></u>

The accompanying notes are an integral part of these financial statements

GIVEDIRECTLY, INC.
Statement of Activities
Year Ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Foundation contributions	\$ 7,055,655	\$ 588,562	\$ 7,644,217
Corporate contributions	668,805	-	668,805
Federated campaigns	1,082	-	1,082
General contributions	8,295,449	-	8,295,449
Board contribution	125,000	-	125,000
	<u>16,145,991</u>	<u>588,562</u>	<u>16,734,553</u>
Stock donations	616,918	-	616,918
Contributed services	166,120	-	166,120
<i>Investment income</i>			
Foreign exchange gain, net	30,549	-	30,549
Interest income	13,692	-	13,692
Gain or loss on investment	(1,696)	-	(1,696)
Total investment income	<u>42,545</u>	<u>-</u>	<u>42,545</u>
Other income	3,012	-	3,012
Net assets released from restrictions	291,932	(291,932)	-
Total operating support, revenues and reclassifications	<u>17,266,518</u>	<u>296,630</u>	<u>17,563,148</u>
EXPENSES			
Program services	7,556,798	-	7,556,798
Management and general	383,210	-	383,210
Fundraising	341,972	-	341,972
Total expenses	<u>8,281,980</u>	<u>-</u>	<u>8,281,980</u>
Changes in net assets	8,984,538	296,630	9,281,168
Net assets, beginning of year	<u>2,748,695</u>	<u>390,829</u>	<u>3,139,524</u>
Net assets, end of year	<u>\$11,733,233</u>	<u>\$ 687,459</u>	<u>\$12,420,692</u>

The accompanying notes are an integral part of these financial statements

GIVEDIRECTLY, INC.

Statement of Activities

Period from September 1, 2014 to December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Foundation contributions	\$ 5,100,000	\$ 3,068,182	\$ 8,168,182
Corporate contributions	94,406	-	94,406
Federated campaigns	1,309	-	1,309
General contributions	2,858,440	-	2,858,440
Board contribution	250,000	-	250,000
	<u>8,304,155</u>	<u>3,068,182</u>	<u>11,372,337</u>
Stock donations	3,117,467	-	3,117,467
<i>Investment income</i>			
Foreign exchange gain	136,264	-	136,264
Realized gains and losses	100,129	-	100,129
Interest income	15,968	-	15,968
Total investment income	<u>252,361</u>	<u>-</u>	<u>252,361</u>
Other income	14,431	-	14,431
Net assets released from restrictions	<u>631,326</u>	<u>(631,326)</u>	<u>-</u>
Total operating support, revenues and reclassifications	12,319,740	2,436,856	14,756,596
EXPENSES			
Program services	5,903,010	-	5,903,010
Management and general	143,292	-	143,292
Fundraising	236,208	-	236,208
Total expenses	<u>6,282,510</u>	<u>-</u>	<u>6,282,510</u>
Changes in net assets	6,037,230	2,436,856	8,474,086
Net assets, beginning of period	<u>11,733,233</u>	<u>687,459</u>	<u>12,420,692</u>
Net assets, end of period	<u>\$17,770,463</u>	<u>\$ 3,124,315</u>	<u>\$20,894,778</u>

The accompanying notes are an integral part of these financial statements

GIVEDIRECTLY, INC.
Statements of Cash Flows
Year Ended August 31, 2014 and
Period from September 1, 2014 to December 31, 2014

	Year Ended August 31, 2014	Period from September 1, 2014 to December 31, 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,281,168	\$ 8,474,086
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	2,294	1,365
Stock donations	(616,918)	(3,117,467)
Proceeds from sale of stock donations	616,918	3,117,467
Net gains on foreign currencies	(30,549)	(136,264)
<i>Changes in operating assets and liabilities</i>		
Contributions receivable	-	(1,000,000)
Accounts receivable	4,325	-
Trades pending settlement receivable	-	(1,928)
Prepaid expenses	(8,164)	3,784
Inventory	(19,434)	21,426
Security deposits	(3,955)	-
Accounts payable and accrued expenses	15,710	33,302
Grants payable	1,791,255	2,672,265
Net cash provided by operating activities	11,032,650	10,068,036
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(14,311)	(1,244)
Net cash used in investing activities	(14,311)	(1,244)
Net gains on foreign currencies	30,549	136,264
Net increase in cash and cash equivalents	11,048,888	10,203,056
Cash and cash equivalents, beginning of period	4,389,760	15,438,648
Cash and cash equivalents, end of period	\$ 15,438,648	\$ 25,641,704

The accompanying notes are an integral part of these financial statements

GIVEDIRECTLY, INC.
Statement of Functional Expenses
Year Ended August 31, 2014

	Program Services	Management and General	Fundraising	Total
Direct grants	\$ 6,888,170	\$ -	\$ -	\$ 6,888,170
Field staff personnel costs	85,291	-	-	85,291
Field staff allowances	87,422	-	-	87,422
Field staff supplies	42,137	-	-	42,137
Transfer fees	147,338	-	-	147,338
Management personnel costs	203,959	251,620	199,513	655,092
Travel expenses	35,656	-	11,963	47,619
Office occupancy	39,691	10,880	27,977	78,548
Computer and information technology	4,546	600	26,819	31,965
Professional and regulatory fees	13,511	116,612	-	130,123
Payment processing and bank fees	6,426	1,269	73,426	81,121
Depreciation	2,294	-	-	2,294
Other administrative expenses	357	2,229	2,274	4,860
Total expenses	\$ 7,556,798	\$ 383,210	\$ 341,972	\$ 8,281,980

The accompanying notes are an integral part of these financial statements

GIVEDIRECTLY, INC.
Statement of Functional Expenses
Period from September 1, 2014 to December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
CASH EXPENSES				
Direct grants	\$ 5,547,741	\$ -	\$ -	\$ 5,547,741
Field staff personnel costs	45,176	-	-	45,176
Field staff allowances	33,575	-	-	33,575
Field staff supplies	21,133	-	-	21,133
Transfer fees	111,652	-	-	111,652
Management personnel costs	109,074	77,013	108,679	294,766
Travel expenses	3,504	-	8,422	11,926
Office occupancy	22,050	1,104	4,418	27,572
Computer and information technology	814	-	77,567	78,381
Professional and regulatory fees	2,934	63,183	-	66,117
Payment processing and bank fees	3,628	341	34,985	38,954
Depreciation	1,364	-	-	1,364
Other administrative expenses	365	1,651	2,137	4,153
Total expenses	<u>\$ 5,903,010</u>	<u>\$ 143,292</u>	<u>\$ 236,208</u>	<u>\$ 6,282,510</u>

The accompanying notes are an integral part of these financial statements

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 1 DESCRIPTION OF ORGANIZATION

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

GiveDirectly offers a service that enables others to provide direct cash transfers to the poor. With a focus on efficiency and using the latest available technology, GiveDirectly identifies poor households, informs them that they are eligible for a transfer of approximately \$1,000, helps them register for a digital payments system, sends funds, and follows up with recipients post-transfer. Recipients are free to spend on their own needs and priorities without restriction. GiveDirectly exclusively focuses on these unconditional cash transfers, and has no other type of programming. It does not re-grant to any other organization.

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

NOTE 2 CHANGE OF YEAR END

GiveDirectly’s financial year end was changed from August 31 to December 31 so as to better align with the calendar year and the annual fundraising cycle. Accordingly, the period from September 1, 2014 to December 31, 2014 is presented separately from the year ended August 31, 2014. In 2015, the fiscal year will be January 1 to December 31.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 3 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, the 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 are grants from foundations. 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. At August 31, 2014 and December 31, 2014, all contributions receivables are expected to be collected in less than one year.

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.

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 stipulations and that may be expendable, at the discretion of the Board of Directors, for any purpose in completing GiveDirectly's mission.

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Net Assets *(continued)*

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

Permanently Restricted Net Assets. Net assets that are subject to donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or removed by actions of GiveDirectly. There were no permanently restricted net assets at August 31, 2014 and December 31, 2014.

Accounting for Contributions

Contributions are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. GiveDirectly reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Unconditional promises with payments due in future years have an implied 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 restrictions. 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.

Contributed Services

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.

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Expense Recognition and Allocation

Expenses that can be identified with a specific cash transfer program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. In general, expenses are recognized when incurred. Cash transfer program expenses are recognized when an approved commitment has been made to recipients. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the GiveDirectly. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Depreciation

GiveDirectly occasionally purchases equipment (e.g., IT equipment, furniture) which is depreciated over the equipment's useful life, ranging from three to seven years. Depreciation is calculated using the straight-line method.

Interpretation of Relevant Law

The New York State Nonprofit Revitalization Act (the "Act") went into effect July 1, 2014. The Act was the first meaningful revision of the New York State Not-for-Profit Corporation law in over forty years. Many of the changes in the Act reflect policies which have been recognized as best practices in the nonprofit sector. The Act contains updated corporate governance procedures, related party transaction/conflict of interest procedures and fiscal policies. The Organization has evaluated the effect of the Act and affirms that its Conflict of Interest policy, Whistle-blower policy, and the constitution of its board as it relates to Audit oversight comply with the requirements of the Act.

NOTE 4 **TAX STATUS**

GiveDirectly qualifies as a charitable organization as defined by 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.

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 4 **TAX STATUS** *(continued)*

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, 2014, 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 2011.

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

GiveDirectly holds cash and liability balances in Kenya and Uganda for the purpose of paying future grants to recipients. In order to reduce risk associated with changes in foreign exchange rates, it keeps cash balances and liability balances close to equal. The value of these balances in U.S. dollars is impacted by foreign exchange rates. The net impact on these balances from foreign exchange rate changes was \$30,549 for the year ended August 31, 2014 and \$136,264 for the four month period ended December 31, 2014. This is a cash gain only for reporting purposes in US dollars, and did not result in extra funds to use in operations, as the funds will remain in foreign currency until the full liability to recipients is paid. Gains on foreign exchange are net of costs charged to GiveDirectly when conducting foreign exchange transactions. Costs associated with foreign exchange transaction processing amounted to \$75,904 for the year ended August 31, 2014 and \$49,972 for the four month period ending December 31, 2014.

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 7 INVENTORY

GiveDirectly provides cell phones to some recipients to facilitate their enrollment in a payments platform. Phones which are yet to be distributed to recipients are GiveDirectly's only inventory item. Inventory on hand was \$27,007 at August 31, 2014 and \$5,581 at December 31, 2014. Inventory is reported at the lower of cost or market on a first-in, first-out ("FIFO") basis.

NOTE 8 FIXED ASSETS

Fixed assets are comprised of the following:

	August 31, 2014	December 31, 2014
Computer hardware and equipment	\$ 11,241	\$ 12,484
Furniture and fixtures	3,071	3,072
	14,312	15,556
<i>Less: Accumulated depreciation</i>	2,294	3,659
Fixed assets, net	<u><u>\$ 12,018</u></u>	<u><u>\$ 11,897</u></u>

NOTE 9 ACCRUED EXPENSES

The details of accrued expense are as follows:

	August 31, 2014	December 31, 2014
Accrued salary expense	\$ 750	\$ -
Accrued professional fees	45,313	79,449
Total	<u><u>\$ 46,063</u></u>	<u><u>\$ 79,449</u></u>

Professional fees consisted mainly of accounting and auditing fees.

NOTE 10 GRANTS PAYABLE

Grants payable represents outstanding commitments to recipients for future cash transfers. A recipient's full grant is typically distributed in three or more transfers, spaced months apart. The full grant is recognized when the recipient passes through the entire enrollment process and is entered into a transfer schedule. Grants payable is drawn down as the transfers are made to recipients. Grants payable that are expected to be paid in future years are recorded at fair value based on the present value of expected future payments. All grants payable at August 31, 2014 and December 31, 2014 are expected to be paid within eight months.

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 10 GRANTS PAYABLE *(continued)*

Grants payable, which includes any associated transfer fees, was as follows:

	August 31, 2014	December 31, 2014
Kenya Campaigns	\$ 3,020,002	\$ 4,353,396
Uganda Campaigns	7,836	1,346,623
	<u>\$ 3,027,838</u>	<u>\$ 5,700,019</u>

NOTE 11 BOARD-DESIGNATED NET ASSETS

Under a policy established by the Board of Directors, GiveDirectly has set aside certain funds for particular types of expenditure. Specifically, funds donated by private individuals without any specific instruction, or with instruction to use for either program activity in Kenya or Uganda, are spent on recipient transfers and the associated delivery costs. They are not used for fundraising costs.

Board-designated net assets consisted of the following:

Name	August 31, 2014	December 31, 2014
Kenya campaigns	\$ 5,589,847	\$ 2,538,029
Uganda campaigns	2,244,374	615,466
Pending campaigns	754,864	6,061,663
Fundraising	1,606,589	1,298,772
Salary reserves	-	2,000,000
Total	<u>\$ 10,195,674</u>	<u>\$ 12,513,930</u>

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

	August 31, 2014	December 31, 2014
<i>Purpose restricted</i>		
Cash transfer programming	\$ 687,459	\$ 3,081,009
Other	-	43,306
Total	<u>\$ 687,459</u>	<u>\$ 3,124,315</u>

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 12 **TEMPORARILY RESTRICTED NET ASSETS** *(continued)*

Net assets were released from restrictions based upon the satisfaction of the following purpose restrictions:

	August 31, 2014	December 31, 2014
Cash transfers	\$ 261,932	\$ 606,450
Website and accounting	30,000	-
Other	-	24,876
Total	\$ 291,932	\$ 631,326

NOTE 13 **CONCENTRATIONS OF RISK**

Cash is exposed to various risks, such as custodial credit risks. To minimize such risks, the Organization maintains its cash in various bank deposit accounts that may exceed federally insured limits. At August 31, 2014 and December 31, 2014, the Organization's cash was placed into high credit quality financial institutions and, accordingly, the Organization does not anticipate any losses with respect to these depository accounts.

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

The Organization's mission is to reduce poverty by providing financial assistance directly to extremely poor individuals in Kenya and Uganda. Therefore, all program activity is concentrated within the east Africa geographic region. During the year ending August 31, 2014 and the four month period from September 1, 2014 to December 31, 2014, the Organization received approximately 58% and 34%, respectively of its contributions from two donors. One of the donor's contributions accounted for approximately 40% and 34% of the Organization's total revenue, in the respective periods. Contributions from the other donor accounted for approximately 17% and 0% of the Organization's total revenue for the year ending August 31, 2014 and the four month period from September 1, 2014 to December 31, 2014, respectively.

Due to the concentration of revenue, there is a risk that GiveDirectly would not be able to continue distributing cash transfers at its current volume if this source of contributions were lost. All current campaigns and recipients are fully funded prior to enrollment, and so there would be no risk to current campaigns.

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 14 CONTINGENCIES

GiveDirectly is contingently liable in connection with claims arising in the normal course of its activities.

NOTE 15 OPERATING LEASE COMMITMENTS

GiveDirectly rents office space month to month in a co-working space in New York City. In Kenya, there is a two year lease beginning February 2014 in place on an office in Kisumu. In Uganda, GiveDirectly rents a small office and on a month to month basis.

As of December 31, 2014, future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year are as follows:

Year Ending December 31,	Amount
2015	\$ 1,607
2016	21,209
Thereafter	-
	<u>\$ 22,816</u>

Rent expense for the year ending August 31, 2014 and the four month period ending December 31, 2014 was \$44,244 and \$21,314, respectively.

NOTE 16 FAIR VALUE MEASUREMENTS

GiveDirectly values its investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. 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).

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 16 FAIR VALUE MEASUREMENTS *(continued)*

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 Organization 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.

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, the Organization's financial instruments at fair value for both periods:

August 31, 2014				
	Level 1	Level 2	Level 3	Total
Interest-bearing cash	<u>\$13,063,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,063,992</u>
December 31, 2014				
	Level 1	Level 2	Level 3	Total
Interest-bearing cash	<u>\$21,293,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$21,293,321</u>

GIVEDIRECTLY, INC.
Notes to Financial Statements
August 31, 2014 and December 31, 2014

NOTE 17 RELATED PARTY TRANSACTIONS

During the year ended ending August 31, 2014, a member of executive management did not draw a salary or receive fringe benefits from GiveDirectly for a portion of the year. This has been reflected as contributed services in the accompanying statement of activities for the year ended August 31, 2014 with an estimated fair value of \$166,120. The related salary and fringe expense has been allocated between fundraising and management and general expenses based on management's determination of the individual's efforts and is reflected within management salaries and fringe expenses in the accompanying statement of functional expenses for the year ended August 31, 2014.

NOTE 18 SUBSEQUENT EVENTS

GiveDirectly has evaluated events subsequent to December 31, 2014 through July 10, 2015, the date on which the financial statements were available for issuance.

Segovia Technology Co. (Segovia) was formed by two common board members and co-founders of Give Directly. 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 transfer 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, and representing a 10% ownership interest. GiveDirectly acquired the shares for a nominal cash contribution, as is standard practice for distribution of initial shares of a new company. GiveDirectly's voting rights as a stockholder were transferred to two proxyholders, who are founders of Segovia as well as GiveDirectly, also effective March 16, 2015. As a result, GiveDirectly has no voting rights in Segovia. Segovia paid to GiveDirectly \$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.

GiveDirectly is using Segovia's product to support its programming. The product was in prototype phase during 2014, and hence there were no in-kind contributions at that time.

In June 2015, GiveDirectly received a \$25 million contribution for use in programmatic activities.