



PayPal Charitable Giving Fund and Subsidiaries

Consolidated Financial Statements
Year Ended December 31, 2018

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



PayPal Charitable Giving Fund and Subsidiaries

Consolidated Financial Statements
Year Ended December 31, 2018

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Independent Auditor's Report

Board of Directors
PayPal Charitable Giving Fund and Subsidiaries
Washington, DC

We have audited the accompanying consolidated financial statements of PayPal Charitable Giving Fund and Subsidiaries ("PPGF" or the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PayPal Charitable Giving Fund and Subsidiaries as of December 31, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

July 31, 2019

Consolidated Financial Statements

PayPal Charitable Giving Fund and Subsidiaries

Consolidated Statement of Financial Position

<i>December 31,</i>	2018
Assets	
Cash and cash equivalents	\$ 27,856,272
Accounts receivable	395,373
Prepaid expenses	807
Total assets	\$ 28,252,452
Liabilities and Net Assets	
Liabilities	
Grants payable, net	\$ 24,934,753
Accounts payable and accrued expenses	525,374
Deferred revenues	1,231,138
Other liabilities	18,900
Total liabilities	26,710,165
Commitments and contingencies	
Net Assets	
Net assets, without donor restrictions	1,542,287
Total liabilities and net assets	\$ 28,252,452

See accompanying notes to consolidated financial statements.

PayPal Charitable Giving Fund and Subsidiaries

Consolidated Statement of Activities and Change in Net Assets

<i>December 31,</i>	<i>2018</i>
Revenues and support	
Contributions	\$ 177,627,893
Program service revenue	1,889,810
In-kind contributions	3,288,559
Miscellaneous income	1,223
Total operating revenue and support	182,807,485
Expenses	
Program services	181,156,950
General and management	1,099,189
Fundraising	570,502
Total operating expenses	182,826,641
Change in net assets without donor restrictions from operations	(19,156)
Foreign currency translation adjustment	(127,041)
Change in net assets without donor restrictions	(146,197)
Net assets, beginning of year	1,688,484
Net assets, end of year	\$ 1,542,287

See accompanying notes to consolidated financial statements.

PayPal Charitable Giving Fund and Subsidiaries

Consolidated Statement of Functional Expenses

<i>For the year ended December 31, 2018</i>	Program services	General and Management	Fundraising	Total expenses
Expenses				
Grants	\$ 172,040,882	\$ -	\$ -	\$ 172,040,882
In-kind expenses	2,315,290	638,344	334,925	3,288,559
Salaries, wages and related expenses	764,417	246,758	116,918	1,128,093
Professional fees	283,888	140,052	15,214	439,154
Transaction costs and service fees	5,686,374	-	-	5,686,374
Marketing	-	-	88,915	88,915
Miscellaneous	10,512	672	14,530	25,714
Insurance	-	16,733	-	16,733
Bad debt	22,544	-	-	22,544
Travel	23,174	56,630	-	79,804
Staff development	9,869	-	-	9,869
Total expenses	\$ 181,156,950	\$ 1,099,189	\$ 570,502	\$ 182,826,641

See accompanying notes to consolidated financial statements.

PayPal Charitable Giving Fund and Subsidiaries

Consolidated Statement of Cash Flows

<i>December 31,</i>	2018
Cash flows from operating activities	
Change in net assets	\$ (146,197)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in assets:	
Accounts receivable	(206,574)
Prepaid expenses	(807)
Increase in liabilities:	
Grants payable	9,412,595
Accounts payable and accrued expenses	106,325
Deferred revenues	1,026,288
Other liabilities	4,858
Net cash provided by operating activities	10,196,488
Increase in cash and cash equivalents	10,196,488
Cash and cash equivalents, beginning of year	17,659,784
Cash and cash equivalents, end of year	\$ 27,856,272

See accompanying notes to consolidated financial statements.

PayPal Charitable Giving Fund and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization and Operations

PayPal Charitable Giving Fund (“PPGF” or the “Organization”) was organized on January 28, 2011. PPGF is a not-for-profit donor advised fund incorporated under the laws of the State of Delaware. The primary purpose of PPGF is to enable people to give to charity on PayPal, GoFundMe, eBay, Humble Bundle and other online platforms. The Organization receives funds donated through these platforms and seeks to grant them to charities recommended by donors.

PPGF operates customer charitable donation programs for online platforms in the United States (US) as PayPal Giving Fund (“PPGF US”). PPGF provides similar charity programs in the United Kingdom (UK) through PayPal Giving Fund UK (“PPGF UK”), a registered UK charity, in Canada through PayPal Giving Fund Canada (“PPGF Canada”), a registered Canadian charity, and in Australia through PayPal Giving Fund Australia (“PPGF Australia”), a registered Australian charity.

The Organization has received a determination letter from the Internal Revenue Service that it is exempt from federal taxation as a public charity under Section 501(c)(3) of the US Internal Revenue Code.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of PPGF US and its controlled subsidiaries, PPGF UK, PPGF Canada and PPGF Australia. All significant inter-organizational accounts and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables and other liabilities. The consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Classification of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.
- *Net assets with donor restrictions* represent contributions restricted by the donor for investment in perpetuity, as well as contributions whose use is limited to donor-imposed stipulations, including those that expire through the passage of time or other restrictions and for which the applicable restriction was not met as of the end of the current fiscal period. The Organization has no net assets with donor restrictions.

PayPal Charitable Giving Fund and Subsidiaries

Notes to Consolidated Financial Statements

Donor Advised Fund

The Organization enables donors to identify opportunities aligned with their values and charitable interests. Donors make donations to the Organization and provide recommended grant recipients at the time of donation. The Organization conducts due diligence on the charities recommended by donors before approving them to receive a grant. A small portion of recommended charities may not be approved subject to the Organization's Nonprofit Certification and Donation Delivery Policies, in which case the Organization will reach out to the donor for an alternative recommendation whenever possible. The Organization's policies and disclosures are compatible with the donor advised fund model, and it has elected to be treated as such for tax purposes.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. The Organization considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The carrying amount in the consolidated statement of financial position approximates fair value.

Accounts Receivable

Accounts receivable primarily consists of taxes recoverable and program service revenue receivable. There was no allowance for doubtful accounts for the year ended December 31, 2018.

Prepaid Expenses

Prepaid expenses consist of prepaid insurance for medical benefits.

Grants and Grants Payable

Grants are made in accordance with the Organization's mission as recommended by donors in conjunction with the donor advised fund. All grants payable at December 31, 2018 are expected to be paid in the following year. The Organization recognizes an allowance for estimated refunds. For the year ended December 31, 2018, the allowance for estimated refunds was \$185,000. The allowance is based upon prior years' experience and management's analysis of specific accounts.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase the respective class of net assets. Contributions received with donor restrictions that are met in the same reporting period are reported as an increase in net assets without donor restrictions.

Conditional promises to give, if any, are not included as support until the conditions are substantially met. PPGF did not have any conditional promises to give for the year ended December 31, 2018.

Contributions consist of funds contributed to PPGF for redistribution to various charities through PPGF partner programs with PayPal Inc., GoFundMe, eBay Inc., Humble Bundle, and others. These funds are recognized as unrestricted funds when a contribution is made, as PPGF has variance power over the contributions. The Organization recognizes an allowance for estimated refunds. Revenues

PayPal Charitable Giving Fund and Subsidiaries

Notes to Consolidated Financial Statements

received under contract with PayPal Inc., eBay Inc., Humble Bundle, and StubHub are recognized as program service revenues as services are provided regardless of the timing of cash receipts. PPGF records support over the support period covered by the contract. In the event the support is tied to performance such as processing disaster donations, such support is recognized in the period of performance. If funds are received for future services, the amounts are recognized as deferred revenue and recognized as revenue when services are provided. Deferred revenues are for eBay Inc. and PayPal Inc. program service revenue received in advance.

Donated Materials and Services

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind contributions are offset by like amounts included in the related functional expense category.

Functional Expense Allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Salaries, wages and related expenses of employees have been allocated based on estimates of time and effort. In-kind expenses have been allocated based on estimates of time and effort, space, and other factors.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions in the United States of America, United Kingdom, Canada, and Australia. Cash equivalents include overnight investments and money market funds. Deposits, at times, might exceed Federal Deposit Insurance Corporation (“FDIC”) limits in the United States and Deposit Insurance limits in the United Kingdom, Canada and Australia. It is the Organization’s opinion that it is not exposed to any significant credit risks.

Concentration of Funding

PPGF maintains service contracts with PayPal Inc., eBay Inc, Humble Bundle, and Stub Hub, which pay PPGF fees for its services.

PayPal Charitable Giving Fund and Subsidiaries

Notes to Consolidated Financial Statements

Concentration of Contributions

For the year ended December 31, 2018, 14% of total contributions were donated by one donor.

Fair Value of Financial Instruments

Financial instruments included in the consolidated statement of financial position as of December 31, 2018 include cash and cash equivalents, accounts receivable, prepaid expenses, grants payable, accounts payable, and accrued expenses and other liabilities. For cash and cash equivalents, accounts receivable, prepaid expense, accounts payable, and accrued expenses and other liabilities the carrying amount approximates fair value due to its short maturity. Grants payable are reflected in the accompanying Consolidated Statement of Financial Position at their estimated fair values using methodologies described above.

Foreign Operations and Currency Translation

PPGF US is the sole member of PPGF UK which has operations in the United Kingdom, PPGF Canada which has operations in Canada, and PPGF Australia which has operations in Australia. The consolidated financial statements of the Organization have been translated into US dollars. Each entity's financial statements have been translated using the applicable exchange rate at the consolidated statement of financial position date. Changes in accumulated translation adjustments are reported in the consolidated statement of activities. The amount of accumulated translation adjustments is a separate line item on the consolidated statement of activities.

The changes in accumulated translation adjustments for the year ended December 31, 2018 are as follows:

	2018
Balance at beginning of year	\$ (355,574)
Foreign currency translation loss	(127,041)
Balance at end of year	\$ (482,615)

Accounting for Uncertainty in Income Taxes

PPGF evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position and for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2018, management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction. The tax years that remain subject to potential examination for the U.S. federal jurisdiction are December 31, 2015 and forward.

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Notes to Consolidated Financial Statements

Recently Adopted Authoritative Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Management adopted the new reporting model effective for the year ended December 31, 2018. ASU 2016-14 has been applied retrospectively to all periods presented. PPGF has elected to use the practical expedient to only present liquidity and availability information for the year of adoption.

3. Liquidity and Availability of Resources

All of PPGF’s assets are short-term in nature, with the majority of cash and cash equivalents to be spent on grants in the following month. PPGF’s financial assets within one year of the statement of financial position date for general expenditure are as follows:

<i>December 31,</i>	<i>2018</i>
Cash and cash equivalents	\$ 27,856,272
Accounts receivable	395,373
<hr/>	
Total financial assets available for general expenditure, including grants payable, within one year	\$ 28,251,645

Operating expenses for the Organization are covered by funding from merchant partners, including PayPal, eBay, Humble Bundle, and StubHub. PPGF maintains a contract with PayPal Inc. in which PayPal Inc. has agreed to provide funding to support the operating expenses of the Organization for donation processing. In December 2018, PayPal approved the PPGF 2019 plan and funding. In September 2018 and March 2019, PayPal provided funding for the Organization’s 2019 operating expenses, and the remainder is expected to be transferred sometime between June and September 2019. The Board expects funding from PayPal to continue for the foreseeable future. In addition, the Organization maintains unrestricted net assets that are available, with PPGF board approval, to cover unforeseen operating expenses.

PayPal Charitable Giving Fund and Subsidiaries

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4. Taxation Recoverable

PPGF UK enables tax effective donations (“Gift Aid”) by UK donors to their designated charities. Gift Aid allows donors who are subject to UK income tax to complete a simple, short declaration that they are a UK taxpayer. All donations that the donor makes to the charity after making a declaration are treated as being made after deduction of income tax at the basic rate (25% in 2018), and the charity can reclaim the basic rate income tax paid on the gift from HM Revenue & Customs (“HMRC”). PPGF claims tax relief from HMRC for Gift Aid donations. These funds are accrued as identified. Accrued amounts are reversed when submitted to HMRC for payment. At December 31, 2018, approximately \$364,000 was accrued, all of which is due in less than one year.

5. Retirement Plans

PPGF provides a 401(k) plan (the “Plan”) for PPGF US employees. Under the plan, PPGF matches 50% of employee contributions to the Plan up to 4% of each employee's annual compensation, as defined by the plan agreement. PPGF paid approximately \$18,000 of matching contributions to the Plan for the year ended December 31, 2018.

PPGF also provides a retirement plan for employees of PPGF UK. Under this retirement plan, PPGF contributes 7.5% of each employee's annual compensation, as defined by the retirement plan agreement. PPGF paid approximately \$51,000 in the form of contributions to the retirement plan for the years ended December 31, 2018.

PPGF did not have an employee retirement plan set up in either Canada or Australia as of December 31, 2018.

6. Related Party Transactions

PPGF board members include PayPal Inc. employees and independent directors. PayPal Inc. has entered into a service and license agreement with PPGF. The contract between the parties is valued at fair market value and such contracts are reviewed and approved by disinterested directors to avoid a real or perceived conflict of interest.

In addition, for the year ended December 31, 2018, PPGF received approximately \$3,289,000 for contributed transaction processing, office expenses, facilities, legal services, and IT and administrative services. In 2018, this amount was received fully from PayPal Inc. The Organization would have paid for these expenses if they had not been contributed.

For the year ended December 31, 2018, PPGF US received approximately \$1,185,000 of program service revenue from PayPal Inc. and \$1,040,000 in 2018 as a prepayment for 2019 program service revenue. This prepayment is recorded in deferred revenue as of December 31, 2018. For the year ended December 31, 2018, PPGF US received approximately \$1,232,000 in donations from PayPal Inc. to be used as incentives during PayPal campaigns to encourage charitable giving. The majority of these funds were disbursed as grants to charities in 2018 under the terms of various matching campaigns.

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Notes to Consolidated Financial Statements

7. Commitments and Contingencies

On February 28, 2017, a putative class action lawsuit was filed in the U.S. District Court for the Northern District of Illinois captioned Friends for Health: Supporting the North Shore Health Center and Terry Kass v. PayPal, Inc. and PayPal Charitable Giving Fund, Case No. 17-CV-1542. On June 12, 2018, the court granted the Organization's motion to compel arbitration and stayed the case. Plaintiffs must now file in arbitration to advance their claims but have not done so. PayPal and PPGF intend to continue defending the action vigorously. Given the inherent uncertainties involved in litigation, it is not yet possible to assess the probability or potential liability, if any, of the future outcome.

8. Subsequent Events

The Organization has evaluated subsequent events through July 31, 2019, which is the date the consolidated financial statements were available to be issued. There were no events noted that required adjustments to or disclosure in these consolidated financial statements.