PayPal™ Charitable Giving Fund

Consolidated Financial Statements
December 31, 2011

Together with
Independent Auditors' Report

PAYPAL CHARITABLE GIVING FUND

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December 31, 2011

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PayPal Charitable Giving Fund
Washington, DC

We have audited the accompanying consolidated statements of financial position of PayPal Charitable Giving Fund and Subsidiary ("PPCGF"), a Delaware public benefit corporation, as of December 31, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the period from May 1, 2011 through December 31, 2011. These consolidated financial statements are the responsibility of the PPCGF's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of MissionFish UK, a wholly-owned subsidiary, which statements reflect total assets of $1,301,403 as of December 31, 2011, and total revenues of $4,827,497, for the period May 1, 2011 through December 31, 2011. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MissionFish UK, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United State 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PPCGF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the PPCGF as of December 31, 2011, and the changes in their net assets and their cash flows for the period from May 1, 2011 through December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Robert Lee & Associates, LLP

San Jose, California
July 5, 2012

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PAYPAL CHARITABLE GIVING FUND

Consolidated Statement of Financial Position

December 31, 2011

ASSETS		
Cash and cash equivalents	$	1,531,912
Accounts receivable		105,871
Prepaid expenses		25,462
Total assets	$	1,663,245
LIABILITIES AND NET ASSETS		
Accounts payable	$	727,884
Accrued expenses		64,173
Other liabilities		17,016
Total liabilities		809,073
Net assets, unrestricted		854,172
Total liabilities and net assets	$	1,663,245

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

PAYPAL CHARITABLE GIVING FUND

Consolidated Statement of Activities and Changes in Net Assets

For the Period From May 1, 2011 through December 31, 2011

		Unrestricted
REVENUE AND SUPPORT		
Contributions	$	4,155,156
eBay support		615,794
Program service revenue		750,000
In-kind contributions		127,414
Investment income		3,578
Total revenue and support		5,651,942
EXPENSES		
Program services		4,510,696
General and administrative		239,836
Total program and general and administrative expenses		4,750,532
Loss on foreign currency translation		47,238
Total expenses		4,797,770
Change in net assets		854,172
Net assets, beginning of year		-
Net assets, end of year	$	854,172

PAYPAL CHARITABLE GIVING FUND

Consolidated Statement of Functional Expenses

For the Period From May 1, 2011 through December 31, 2011

	Program Services	General and Administrative	Total Expenses
Expenses:			
Grants	$ 3,971,909	$ -	$ 3,971,909
Salaries, wages and benefits	368,665	117,991	486,656
Professional services	99,892	-	99,892
Rent	12,003	55,049	67,052
Insurance	-	50,917	50,917
Advertising	24,847	-	24,847
Bank and service fees	16,145	2,849	18,994
Consulting	-	11,000	11,000
Travel	5,917	-	5,917
Staff development	4,608	-	4,608
Equipment and maintenance	1,952	1,171	3,123
Telephone	1,431	859	2,290
Dues and subscriptions	2,280	-	2,280
Miscellaneous	1,047	-	1,047
Total expenses	$ 4,510,696	$ 239,836	$ 4,750,532

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

PAYPAL CHARITABLE GIVING FUND

Consolidated Statement of Cash Flows

For the Period From May 1, 2011 through December 31, 2011

Cash flows from operating activities:		
Change in net assets	$	854,172
Adjustments to reconcile change in net assets to		
net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable		(105,871)
Other assets		(25,462)
Accounts payable		727,884
Accrued expenses		64,173
Other liabilities		17,016
Net cash provided by operating activities		1,531,912
Increase in cash and cash equivalents		1,531,912
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	1,531,912

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

Note 1 - Organization and operations:

PayPal Charitable Giving Fund ("PPCGF" or the "Organization") was organized on January 28, 2011 as eBay Giving Works Foundation. eBay Giving Works Foundation changed its name to PayPal Charitable Giving Fund on November 16, 2011. PPCGF is a national, not-for-profit organization incorporated under the laws of the state of Delaware. The primary purpose of PPCGF is to raise funds for charitable purposes online, primarily in the eBay Inc. and PayPal marketplaces ('the marketplaces"), and distribute those funds to other charitable organizations.

PPCGF was formed to perform the charitable activities that had been conducted by "MissionFish". MissionFish was a program of the Points of Light Foundation ("POLI"), which under the MissionFish name raised funds for charitable purposes online, primarily in the eBay Inc. and PayPal marketplaces, and has distributed those funds to other charitable organizations. eBay Inc. acquired the assets of the MissionFish program from POLI and provided the rights to use those assets to PPCGF without charge into perpetuity, or until the assets (including software) are no longer needed. Concurrent with the acquisition of MissionFish, on May 1, 2011, sole membership in MissionFish – UK was transferred from POLI to PPCGF, and PPCGF assumed operations for MissionFish – UK beginning May 1, 2011.

In the United States, eBay Inc., POLI and PPCGF entered into a transition services agreement ("TSA") whereby POLI would conduct the MissionFish program and receive contributions raised in the eBay Inc. and PayPal marketplaces until PPCGF received an IRS determination letter of 501(c)(3) status. Because key staff members of POLI moved to PPCGF, PPCGF provided transitional services to POLI in connection with the eBay Giving Works programs until the transition services agreement was terminated. PPCGF was paid $750,000 for providing such services and it processed $6,619,375 in donations for POLI during the transition period. The TSA was terminated December 31, 2011. Upon termination, all assets and liabilities associated with pending donations were transferred to PPCGF and the MissionFish not-for-profit user agreements were assigned to PPCGF.

PPCGF operates the charity portion of the MissionFish program in the US, and in the UK through MissionFish – UK, a registered UK (Charity # 110538). The MissionFish program provides the means for users of the marketplaces to donate to a charity of their choice when engaged in eBay Inc. supported commerce.

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

Note 2 - Summary of significant accounting policies:

Principles of consolidation - The accompanying consolidated financial statements include the financial statements of PPCGF and its wholly owned subsidiary, Mission Fish – UK. 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.

Basis of presentation - Consolidated financial statement presentation is in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), which requires the Organization to report information regarding its financial position and activities in three classes of net assets:

- *Unrestricted net assets* 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.
- *Temporarily restricted net assets* represent contributions whose use is limited to donor-imposed stipulations 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.
- *Permanently restricted net assets* are restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities of the Organization. The Organization has no permanently restricted net assets.

At December 31, 2011 PPCGF had no temporarily or permanently restricted net assets.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

Concentration of credit risk - Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, receivables and investments. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions in the Unites States of America and in the United Kingdom. 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.

Note 2 - Summary of significant accounting policies (continued):

Concentration of credit risk (continued) - The Organization's investments have been placed with high quality financial institutions. It is the Organization's opinion that it is not exposed to any significant credit risks.

Concentration of funding - PPCGF funding is raised through commercial activity within eBay Inc. marketplaces and through service contracts with eBay Inc.

Revenue recognition - All contributions are considered available for the PPCGF'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 temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Conditional promises to give, if any, are not included as support until the conditions are substantially met. PPCGF did not have any conditional promises to give for the year ending December 31, 2011.

Donor directed contributions consist of funds contributed to various charities through the eBay Inc. and PayPal marketplaces. These funds are recognized as unrestricted funds when a contribution is made as PPCGF has variance power over the contributions. As of December 31, 2011, all donor directed funds were distributed to the respective recipients. A portion of the donor directed contributions are retained as transaction fees for PPCGF's general operations. These amounts are recorded as unrestricted revenue as part of contributions. For the period from January 28, 2011 to December 31, 2011 transaction fees were approximately $295,000.

Revenues received under contract with eBay, Inc. are recognized as program service revenues as services are provided regardless of the timing of cash receipts. PPCGF records eBay Inc. support over the support period covered by contract. In the event eBay 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.

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 processing 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 financial statements as in-kind contributions are offset by like amounts included in the related functional expense category.

Note 2 - Summary of significant accounting policies (continued):

Donated materials and services (continued) - In addition, a number of volunteers have donated their time to program and support services. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

Foreign operations and currency translation - The Organization's wholly-owned subsidiary, MissionFish UK, has operations outside the United States, in the United Kingdom. The financial statements of the Organization have been translated into U.S. dollars. All financial statements have been translated using the exchange rate at the statement of financial position date. Foreign currency translation adjustments resulted in losses of approximately $47,000 for the year ended December 31, 2011, and have been reported separately in the statement of activities and changes in net assets.

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.

Accounts receivable - Accounts receivable primarily consists of contract services provided to eBay Inc. and taxes recoverable (see Note 3).

Prepaid expenses - Prepaid expenses consist of prepaid health insurance.

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 and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

Fair value of financial instruments - Financial instruments included in PPCGF's consolidated statement of financial position as of December 31, 2011 include cash and cash equivalents, receivables, and accounts payable, accrued expenses and other liabilities. The carrying amounts of these accounts represent a reasonable estimate of the corresponding fair values.

Accounting for uncertainty in income taxes - PPCGF evaluates it 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 reasonable 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 for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2011 management did not identify any uncertain tax positions.

Note 2 - Summary of significant accounting policies (continued):

Accounting for uncertainty in income taxes (continued) - The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction. As this is the first year of operations for PPCGF, the tax years that remain subject to potential examination for the U.S. federal jurisdiction is December 31, 2011 and forward.

Date of management's review - Subsequent events are evaluated through July 5, 2012, which is the date the consolidated financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of December 31, 2011.

Recent accounting pronouncements - In September 2011, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update ("ASU") 2011-09, "Disclosures about an Employer's Participation in a Multiemployer Plan" which requires that employers provide additional quantitative and qualitative disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. ASU 2011-09 is effective for interim or annual financial periods ending after December 15, 2012. Early adoption is permitted. The Organization is in the process of evaluating the impact on the financial statements.

The above pronouncement issued by FASB does not require adoption until a future date and is not expected to have a material impact on the Organization's financial statements upon adoption.

Note 3 - Taxation recoverable:

Donations processed under the UK Gift Aid scheme are treated as if basic rate income tax has already been deducted by the donor. PPCGF claims tax relief from HM Revenue & Customs ("HMRC") for gift aid donations. These funds are accrued as identified. Accrued amounts are reversed when submitted to HMRC for payment. At December 31, 2011 $100,773 was accrued, all of which had been billed to HMRC and is due in less than one year.

Note 4 - Retirement plans:

PPCGF provides a 401k plan (the "401k Plan") for all employees. Under the plan, PPCGF matches 50% of employee contributions to the Plan up to 4% of each employee's annual compensation, as defined by the Plan agreement. PPCGF paid approximately $7,000 of matching contributions to the Plan for the period from January 28, 2011 to December 31, 2011.

PPCGF also provides a retirement plan for employees of its subsidiary, MissionFish UK. Under this retirement plan, PPCGF contributes 7.5% of each employee's annual compensation, as defined by the retirement plan agreement. PPCGF paid approximately $20,000 in the form of contributions to the retirement plan for the period January 28, 2011 to December 31, 2011.

PAYPAL CHARITABLE GIVING FUND

Notes to Consolidated Financial Statements

December 31, 2011

Note 5 - Related-party transactions:

PPCGF board members include eBay Inc. employees and independent directors. eBay Inc. and PPCGF have entered into services agreements, license agreements and the transition service agreement (see Note 1). The contracts between the parties are valued at fair market value and such contracts are reviewed and approved by disinterested directors to avoid a real or perceived conflict of interest.