

PayPal[™] | Giving Fund
and Subsidiary

**Consolidated Financial Statements
December 31, 2013 and 2012**

**Together with
Independent Auditors' Report**

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Table of Contents

December 31, 2013

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-13



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of PayPal Charitable Giving Fund and Subsidiary ("PPGF"), a Delaware public benefit corporation, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
PayPal Charitable Giving Fund and Subsidiary
Washington, D.C

Auditors' Responsibility (Continued)

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 financial position of PPGF as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Robert Lee + Associates, LLP". The signature is written in a cursive, flowing style.

San Jose, California
April 28, 2014

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY
Consolidated Statements of Financial Position

	December 31,	
	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,053,716	\$ 3,524,887
Accounts receivable	93,126	39,714
Prepaid expenses	<u>23,407</u>	<u>22,248</u>
 Total assets	 \$ <u>4,170,249</u>	 \$ <u>3,586,849</u>
<u>LIABILITIES AND NET ASSETS</u>		
Grants payable	\$ 2,646,570	\$ 2,155,960
Accrued expenses	128,212	104,201
Deferred revenue	-	39,001
Other liabilities	<u>15,044</u>	<u>14,859</u>
 Total liabilities	 2,789,826	 2,314,021
 Net assets, unrestricted	 <u>1,380,423</u>	 <u>1,272,828</u>
 Total liabilities and net assets	 \$ <u>4,170,249</u>	 \$ <u>3,586,849</u>

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

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY
Consolidated Statements of Activities and Changes in Net Assets

	For the Year Ended December	
	2013	2012
Revenues and support:		
Contributions	\$ 17,114,200	\$ 16,242,924
Program service revenue	1,537,730	732,209
In-kind contributions	106,990	84,880
Miscellaneous income	7,320	3,766
	<u>18,766,240</u>	<u>17,063,779</u>
Total revenue and support		
Expenses:		
Program services	18,068,747	16,138,517
General and management	472,783	436,989
Fundraising	130,296	99,686
	<u>18,671,826</u>	<u>16,675,192</u>
Total expenses		
Change in unrestricted net assets from operations	94,414	388,587
Foreign currency translation adjustment	13,181	30,069
	<u>107,595</u>	<u>418,656</u>
Change in unrestricted net assets		
Net assets, beginning of year	1,272,828	854,172
	<u>1,380,423</u>	<u>1,272,828</u>
Net assets, end of year		

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

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Expenses:				
Grants	\$ 17,119,218	\$ -	\$ -	\$ 17,119,218
Salaries, wages and related expenses	600,969	300,434	83,261	984,664
Professional services	98,388	48,212	-	146,600
In-kind expenses	56,367	39,773	10,850	106,990
Insurance	-	83,738	-	83,738
Bank and service fees	78,077	-	-	78,077
Consulting	47,589	-	-	47,589
Marketing	-	-	36,185	36,185
Travel	28,416	-	-	28,416
Staff development	22,700	-	-	22,700
Dues and subscriptions	6,329	-	-	6,329
Change in bad debt expenses	5,930	-	-	5,930
Miscellaneous	4,764	626	-	5,390
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>18,068,747</u>	\$ <u>472,783</u>	\$ <u>130,296</u>	\$ <u>18,671,826</u>

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

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Expenses:				
Grants	\$ 15,397,417	\$ -	\$ -	\$ 15,397,417
Salaries, wages and related expenses	491,410	282,145	63,224	836,779
Professional services	44,796	44,797	-	89,592
In-kind expenses	42,444	32,586	9,850	84,880
Insurance	-	74,411	-	74,411
Bank and service fees	89,611	-	-	89,611
Consulting	39,189	-	-	39,189
Marketing	-	-	25,445	25,445
Travel	25,568	-	-	25,568
Staff development	7,537	-	-	7,537
Dues and subscriptions	2,240	2,013	677	4,930
Bad debt recoveries	(2,397)	-	-	(2,397)
Miscellaneous	703	1,037	490	2,230
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>16,138,517</u>	\$ <u>436,989</u>	\$ <u>99,686</u>	\$ <u>16,675,192</u>

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

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 107,595	\$ 418,656
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(53,412)	66,157
Prepaid expenses	(1,159)	3,214
Grants payable	490,610	1,428,076
Accrued expenses	24,011	40,028
Deferred revenue	(39,001)	39,001
Other liabilities	185	(2,157)
Net cash provided by operating activities	528,829	1,992,975
Increase in cash and cash equivalents	528,829	1,992,975
Cash and cash equivalents, beginning of year	3,524,887	1,531,912
Cash and cash equivalents, end of year	\$ 4,053,716	\$ 3,524,887

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

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2013

Note 1 - Organization and operations:

PayPal Charitable Giving Fund ("PPGF" or the "Organization") was organized on January 28, 2011. PPGF is a national, not-for-profit organization incorporated under the laws of the state of Delaware. The primary purpose of PPGF 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.

PPGF operates the charity portion of the eBay GivingWorks and Donate with PayPal programs in the United States (US) as PayPal Giving Fund ("PPGF"). In the United Kingdom (UK) through PayPal Giving Fund UK ("PPGF UK"), a registered UK charity (Charity #110538), PPGF UK operates eBay for Charity program. These programs provide 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 US Internal Revenue Code.

Note 2 - Summary of significant accounting policies:

Principles of consolidation - The accompanying consolidated financial statements include the financial statements of PPGF and its wholly owned subsidiary, PPGF 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. The Organization has no temporarily restricted net assets.
- *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.

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2013

Note 2 - Summary of significant accounting policies:

Use of estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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 those estimates under different assumptions or condition.

Revenue recognition - All contributions are considered available for PPGF'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. PPGF did not have any conditional promises to give for the years ending December 31, 2013 and 2012.

Contributions consist of funds contributed to PPGF for redistribution to various charities through the eBay and PayPal marketplaces. These funds are recognized as unrestricted funds when a contribution is made as PPGF has variance power over the contributions.

Until January 31, 2013 a portion of the contributions were retained as transaction fees for PPGF's general operations. These amounts were recorded as unrestricted revenue as part of contributions. Effective January 1, 2013, eBay Inc. and PPGF entered into an amended Program Agreement and a Funding Agreement which among other terms provided financial support for PPGF. As a result of these agreements, PPGF stopped charging transaction fees on donations processed after January 2013. For the years ended December 31, 2013 and 2012, transaction fees were approximately \$21,000 and \$848,000, respectively.

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

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2013

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

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

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the Consolidated Statements 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.

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 taxes recoverable (see Note 3).

Prepaid expenses - Prepaid expenses consist of prepaid insurance for directors and officer's liability insurance and various other insurance.

Grants payable - Grants are made in accordance with the Organization's mission. Unconditional grants that are expected to be paid after one year are evaluated at a discount rate as determined by the federal interest free rate valid for the year the grant was pledged and are stated at their net present value. Such present value reserves are recorded only if material to the consolidated financial statements.

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 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. It is the Organization's opinion that it is not exposed to any significant credit risks.

Reclassification - Certain 2012 balances have been reclassified to conform to the 2013 consolidated financial statement presentation. These reclassification have no effect on previously reported change in unrestricted net assets.

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2013

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

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

Fair value of financial instruments - Financial instruments included in PPGF's Consolidated Statements of Financial Position as of December 31, 2013 and 2012 include cash and cash equivalents, accounts receivable, prepaid expenses, grants payable, accrued expenses and other liabilities. For cash and cash equivalents, accounts receivable, prepaid expense, accounts payable and other liabilities the carrying amount approximates fair value due to its short maturity. Grants payable are reflected in the accompanying Consolidated Statements of Financial Position at their estimated fair values using methodologies described above.

Foreign operations and currency translation - The Organization's wholly-owned subsidiary, PPGF UK, has operations outside the United States, in the United Kingdom. The consolidated financial statements of the Organization have been translated into US dollars. All consolidated financial statements have been translated using the exchange rate at the Consolidated Statements of Financial Position date. Foreign currency translation adjustments resulted in gains of approximately \$13,000 and \$30,000, respectively, for the years ended December 31, 2013 and 2012, and have been reported separately in the Consolidated Statement of Activities and Changes in Net Assets.

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 for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2013 and 2012, 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 is December 31, 2011 and forward.

Recent accounting pronouncements - In June 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-06, "*Services Received from Personnel of an Affiliate*". This ASU is to specify the guidance that non-for-profit entities apply for recognizing and measuring services received from personnel of an affiliate. An affiliate is defined in the Master Glossary as a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity. ASU 2013-06 is effective prospectively for fiscal years beginning after June 15, 2014 and interim and annual periods thereafter.

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2013

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

Recent accounting pronouncements (continued) - The adoption of this guidance is not expected to have a material impact on the Organization's consolidated financial statements.

Subsequent events - Subsequent events are evaluated through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued.

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. PCGF 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, 2013 and 2012, approximately \$73,000 and \$34,000, respectively, was accrued, all of which had been billed to HMRC and is due in less than one year.

Note 4 - Retirement plans:

PPGF provides a 401k plan (the "Plan") for all 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 \$23,000 and \$18,000, respectively, of matching contributions to the Plan for the years ended December 31, 2013 and 2012.

PPGF also provides a retirement plan for employees of its subsidiary, 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 \$27,000 and \$25,000, respectively, in the form of contributions to the retirement plan for the years ended December 31, 2013 and 2012.

PAYPAL CHARITABLE GIVING FUND AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2013

Note 5 - Related-party transactions:

PPGF board members include eBay Inc. employees and independent directors. eBay Inc. and PPGF have entered into services agreements and license agreements. 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.

In addition, for the years ended December 31, 2013 and 2012, contributed services, office expenses, and facilities of approximately \$107,000 and \$85,000, respectively, were contributed to the Organization from eBay Inc. which the Organization would have paid for if it had not been contributed.

For the years ended December 31, 2013 and 2012, PPGF received approximately \$1,538,000 and \$732,000, respectively, of support from eBay Inc.