

Omidyar Network Fund, Inc.

Consolidated Financial Statements

December 31, 2015 and 2014

Omidyar Network Fund, Inc.

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December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Trustees of
Omidyar Network Fund, Inc.

We have audited the accompanying consolidated financial statements of Omidyar Network Fund, Inc. and its subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 our 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, we consider internal control relevant to the Foundation'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 Foundation'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 financial position of the Foundation at December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

June 16, 2016

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
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Omidyar Network Fund, Inc.
Consolidated Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 191,053,817	\$ 56,369,269
Interest and dividends receivable	680,253	514,829
Prepaid federal excise tax	-	183,993
Investments	215,197,175	227,579,262
Program and mission related investments	39,765,682	37,226,871
Total assets	<u>\$ 446,696,927</u>	<u>\$ 321,874,224</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 59,668	\$ 90,686
Grants payable	7,336,013	6,857,279
Deferred federal excise tax liability	2,238,703	493,962
Total liabilities	<u>9,634,384</u>	<u>7,441,927</u>
Unrestricted net assets	<u>437,062,543</u>	<u>314,432,297</u>
Total liabilities and unrestricted net assets	<u>\$ 446,696,927</u>	<u>\$ 321,874,224</u>

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

Omidyar Network Fund, Inc.
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2015 and 2014

	2015	2014
Revenues and support		
Contributions	\$ 184,703,245	\$ 38,054,713
Contributed services and in-kind gifts	22,908,633	26,264,876
Interest and dividends, net	1,108,964	2,962,663
Realized gains on investments, net	6,962,348	21,677,093
Unrealized losses on investments, net	<u>(12,775,608)</u>	<u>(14,211,148)</u>
Total revenues and support	<u>202,907,582</u>	<u>74,748,197</u>
Expenses		
Program expenses		
Grants	55,531,941	45,733,246
Other program expenses	<u>8,857,048</u>	<u>11,431,443</u>
Total program expenses	64,388,989	57,164,689
Administrative expenses	13,898,503	14,653,938
Federal excise tax expenses	<u>1,989,844</u>	<u>(762,258)</u>
Total expenses	<u>80,277,336</u>	<u>71,056,369</u>
Increase in unrestricted net assets	122,630,246	3,691,828
Unrestricted net assets		
Beginning of year	<u>314,432,297</u>	<u>310,740,469</u>
End of year	<u>\$ 437,062,543</u>	<u>\$ 314,432,297</u>

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

Omidyar Network Fund, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 122,630,246	\$ 3,691,828
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Unrealized losses on investments	12,775,608	14,211,148
Realized gains on investments	(6,962,348)	(21,677,093)
Noncash contributions received	(184,703,245)	(38,054,713)
Amortization of premium on bond investments	2,570,198	298,953
Proceeds from sale of donated securities	185,820,237	97,677,537
Changes in operating assets and liabilities		
Interest and dividends receivable	(165,424)	109,844
Prepaid federal excise tax	183,993	(183,993)
Accounts payable and accrued liabilities	(3,531)	2,236
Grants payable	478,734	196,357
Deferred federal excise tax liability	1,744,741	(1,984,734)
Net cash provided by operating activities	<u>134,369,209</u>	<u>54,287,370</u>
Cash flows from investing activities		
Purchase of investments	(58,891,897)	(150,655,330)
Distributions from investments	4,381,131	6,619,370
Proceeds from sale of investments	54,826,105	127,757,965
Net cash provided by (used in) investing activities	<u>315,339</u>	<u>(16,277,995)</u>
Net increase in cash and cash equivalents	134,684,548	38,009,375
Cash and cash equivalents		
Beginning of year	<u>56,369,269</u>	<u>18,359,894</u>
End of year	<u>\$ 191,053,817</u>	<u>\$ 56,369,269</u>
Supplemental schedule of noncash activities		
Contributed services and in-kind gifts	\$ 22,908,633	\$ 26,264,876

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

Omidyar Network Fund, Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. Organization

Omidyar Network Fund, Inc. (the “Foundation”) is a 501(c)(3) entity incorporated in the State of Delaware. The purpose of the Foundation is to support organizations that create opportunities for people to improve their lives, thereby catalyzing economic and social change. In September 2015, the Foundation formed a wholly-owned subsidiary, ONFI Brazil LLC, to expand activities in Brazil.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Foundation include the accounts of ONFI Brazil LLC. All intercompany balances and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Revenues, gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expenses are reported as decreases in unrestricted net assets.

Contributions are recognized at fair value in the period received. The Foundation has been funded through contributions received from the Pierre M. Omidyar Trust (“the Trust”), a related party. To date, such contributions have been unrestricted.

Unrestricted Net Assets

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and are available to support the Foundation’s activities.

Uses 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 those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to short-term maturities of the instruments. The Foundation deposits cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed federally insured limits.

Investments

Investments, including program and mission related investments, are reported at fair value. Fair value is defined as the amount at which an asset could be exchanged between unrelated willing market participants, in an orderly transaction at the measurement date (i.e., the exit price). Investments are classified as program or mission related investments when they have a direct link to the Foundation’s strategic purpose.

Omidyar Network Fund, Inc.

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Securities

Securities listed on a securities exchange are valued at the last quoted sale price from the principal market on which the security is traded. Investments in open-end mutual funds are valued at the closing net asset value. Securities that trade in over-the-counter markets, including most debt and convertible securities, are valued within the range of the most recent quoted bid and ask prices or if such quotes are not available may be valued using evaluated prices determined by the Foundation's pricing services. The Foundation's pricing services may use valuation models which consider information with respect to comparable bond and note transactions, quotations from bond dealers, conversion premiums, interest rate spreads and yield curves to determine current value.

Private Equity

Private equity investments are not registered for public sale and are carried at estimated fair value as determined in good faith by the Foundation's management after consideration of available relevant financial, operational, and economic data. Significant factors considered in the estimation of fair value include, but are not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

Limited Partnerships

Investments in limited partnerships, which include private equity funds, venture capital funds and hedge funds, are generally subject to certain withdrawal restrictions. Because no readily ascertainable market value exists for these investments, the estimated fair values are determined in good faith by the Foundation's management on the basis of the latest available valuations of the Foundation's pro-rata interest in the net assets of the partnership as determined in good faith by the general partner of each partnership.

The Foundation follows the authoritative guidance for estimating the fair value of investments in investment companies, including limited partnerships that have calculated net asset value in accordance with the specialized accounting guidance for investment companies. Accordingly, in circumstances in which the fair value of an investment in a limited partnership is not readily determinable, the Foundation estimates the fair value of an investment in a limited partnership using the net asset value of the investment without further adjustment, if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for investment companies as of the reporting entity's measurement date.

Management may determine to adjust the valuations after consideration of relevant factors that market participants would consider in a transaction for an interest in the partnership including redemption restrictions.

Investment Income

Dividends and interest are accrued as earned and are presented on the Consolidated Statement of Activities and Changes in Net Assets net of investment expenses.

Grants

Grant expenses include unconditional grants. Unconditional grants are expensed when grant agreements are executed and effective. Certain grants may be subject to the grantee fulfilling

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specific conditions. Such conditional grants are considered commitments and are not recorded as expense until the conditions of the grant are met.

Recent Accounting Pronouncements

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis, which provides updated consolidation guidance to all reporting entities. The methodology of determining whether limited partnerships and similar entities are variable interest entities or voting interest entities would be relevant to the Company. This ASU is effective for the annual period ending after December 15, 2016 and for interim periods within fiscal years beginning after December 15, 2017. The Foundation is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy. The guidance requires retrospective application and would be relevant to the Foundation. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Foundation is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

3. Investments

Investments held at December 31:

	2015	2014
Convertible securities	\$ 24,998,793	\$ 24,964,666
Public equity securities	76,723,164	89,337,471
Fixed income securities	36,547,670	33,247,368
Private equity, venture capital and hedge funds	76,927,548	80,029,757
Total investments	<u>\$ 215,197,175</u>	<u>\$ 227,579,262</u>

At December 31, 2015 and 2014, the Foundation had unfunded commitments of \$1,095,500 and \$1,295,500, respectively, related to certain private equity, venture capital and hedge funds. The unfunded portion of these commitments can be called at any time at the request of each general partner.

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4. Program and Mission Related Investments

Program and mission related investments held at December 31:

	2015	2014
Private equity investments	\$ 23,618,709	\$ 22,507,979
Venture capital and private equity funds	12,481,175	12,718,892
Debt and convertible notes	3,250,000	2,000,000
Public equity	415,798	-
Total program and mission related investments	<u>\$ 39,765,682</u>	<u>\$ 37,226,871</u>

At December 31, 2015 and 2014, the Foundation had unfunded commitments of \$4,880,611 and \$6,012,615, respectively, related to investments in limited partnerships. The unfunded commitments to private equity and venture capital funds can be called at any time at the request of the general partners and are not accrued until called.

5. Investment Valuation

The accounting standard over fair value measurements established a framework for measuring fair value, and expands disclosures about fair value measurements. The standard prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment.

The categorization of an investment within the valuation hierarchy is based upon the lowest level input that is significant to the fair value measurement.

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The following table presents the investments carried at fair value on the Consolidated Statement of Financial Position as of December 31, 2015 (as described above):

Assets at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Convertible securities	\$ -	\$ 24,998,793	\$ -	\$ 24,998,793
Public equity securities	76,723,164	-	-	76,723,164
Fixed income securities	-	36,547,670	-	36,547,670
Private equity, venture capital and hedge funds	-	57,695,063	19,232,485	76,927,548
PRI and MRI - private equity	-	-	23,618,709	23,618,709
PRI and MRI - private equity funds and venture capital funds	-	-	12,481,175	12,481,175
PRI and MRI - private debt and convertible notes	-	-	3,250,000	3,250,000
PRI and MRI - public equity	415,798	-	-	415,798
	<u>\$ 77,138,962</u>	<u>\$ 119,241,526</u>	<u>\$ 58,582,369</u>	<u>\$ 254,962,857</u>

There were no transfers of assets between levels of the fair value hierarchy in 2015.

The following table presents the investments carried at fair value on the Statement of Financial Position as of December 31, 2014 (as described above):

Assets at Fair Value as of December 31, 2014				
	Level 1	Level 2	Level 3	Total
Convertible securities	\$ -	\$ 24,964,666	\$ -	\$ 24,964,666
Public equity securities	89,337,471	-	-	89,337,471
Fixed income securities	-	33,247,368	-	33,247,368
Private equity, venture capital and hedge funds	-	57,166,984	22,862,773	80,029,757
PRI and MRI - private equity	-	-	22,507,979	22,507,979
PRI and MRI - private equity funds and venture capital funds	-	-	12,718,892	12,718,892
PRI and MRI - debt	-	-	2,000,000	2,000,000
	<u>\$ 89,337,471</u>	<u>\$ 115,379,018</u>	<u>\$ 60,089,644</u>	<u>\$ 264,806,133</u>

There were no transfers of assets between levels of the fair value hierarchy in 2014.

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Fair Value Measurements Using Level 3 Inputs

The following table includes a roll-forward of the amounts in the Consolidated Statement of Financial Position as of December 31, 2015 (including the change in fair value) for investments classified within Level 3 of the fair value hierarchy.

	Private Equity, Venture Capital and Hedge Funds	PRI and MRI - Private Equity	PRI and MRI - Private Debt and Convertible Note	PRI and MRI - Private Equity Funds and Venture Capital Funds	Total
Balance at December 31, 2014	\$ 22,862,773	\$ 22,507,979	\$ 2,000,000	\$ 12,718,892	\$ 60,089,644
Purchases	200,000	2,334,686	1,250,000	1,243,638	5,028,324
Sales and distributions	(5,196,195)	-	-	(568,959)	(5,765,154)
Gains/(Losses)					
Realized	3,812,172	-	-	568,959	4,381,131
Unrealized	(2,446,265)	(1,223,956)	-	(1,481,355)	(5,151,576)
Balance at December 31, 2015	\$ 19,232,485	\$ 23,618,709	\$ 3,250,000	\$ 12,481,175	\$ 58,582,369

All net realized and unrealized gains and losses are included within revenues and support in the Consolidated Statement of Activities and Changes in Net Assets.

The following table includes a roll-forward of the amounts in the Statement of Financial Position as of December 31, 2014 (including the change in fair value) for investments classified within Level 3 of the fair value hierarchy.

	Private Equity, Venture Capital and Hedge Funds	PRI and MRI - Private Equity	PRI and MRI - Private Debt	PRI and MRI - Private Equity Funds and Venture Capital Funds	Total
Balance at December 31, 2013	\$ 23,430,481	\$ 21,352,986	\$ 2,000,000	\$ 10,105,577	\$ 56,889,044
Purchases	346,278	2,859,879	-	2,116,988	5,323,145
Sales and distributions	(4,999,715)	-	-	(14,492)	(5,014,207)
Gains/(Losses)					
Realized	3,882,616	-	-	-	3,882,616
Unrealized	203,113	(1,704,886)	-	510,819	(990,954)
Balance at December 31, 2014	\$ 22,862,773	\$ 22,507,979	\$ 2,000,000	\$ 12,718,892	\$ 60,089,644

All net realized and unrealized gains and losses are included within revenues and support in the Statement of Activities and Changes in Net Assets.

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The Foundation uses significant unobservable inputs in the fair value measurements of certain direct private equity investments. The following table provides quantitative information about the valuation techniques and significant unobservable inputs used to determine the fair value of such investments at December 31, 2015.

	Fair Value	Valuation Technique(s)	Unobservable Input	Assumptions or Range
Direct private equity investment - education	\$ 3,495,700	Option pricing model	Expected volatility Time to exit (years)	55.0% - 70.3% 1.5 - 6.0
Direct private equity investment - financial inclusion	858,170 3,385,274	Market comparable Option pricing model	Book value multiple Expected volatility Time to exit (years)	1.0x 52.3% 3.0

The level 3 assets are mainly valued using unobservable but non-quantitative inputs. These assets include financial instruments for which determination of fair value is based on prices from prior transactions or third party pricing information without adjustments from management and financial instruments for which fair value is determined using the net asset value (NAV) as a practical expedient.

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used to determine the fair value of such investments at December 31, 2014.

	Fair Value	Valuation Technique(s)	Unobservable Input	Assumptions or Range
Direct private equity investment - education	\$ 2,093,287	Option pricing model	Expected volatility Time to exit (years)	49.3% - 49.6% 4.0 - 5.0
Direct private equity investment - financial inclusion	820,940 3,495,084	Market comparable Option pricing model	Book value multiple Expected volatility Time to exit (years)	1.0x 47.1% 4.0

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The Foundation uses NAV to determine the fair value of its investments in limited partnerships. The following table lists such investments by major category at December 31, 2015:

	Number of funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions in Place at Year End
(a) Hedge funds - equity strategies	3	\$ 30,709,717	\$ -	Ranges from monthly redemption with 35 days' notice to annual redemption with 90 days' notice	None
(b) Hedge funds - diversified	1	10,526,816	-	Ranges from monthly redemption with 45 days' notice to semiannual redemption with 90 days' notice	None
(c) Private equity and venture capital funds - U.S.	6	19,232,485	1,095,500	Not redeemable	N/A
(d) Hedge funds - debt strategies	2	16,458,530	-	Range from monthly redemption with 45 days' notice to annual redemption with 90 days' notice	None
(e) PRI and MRI - Private equity funds - non U.S.	5	12,481,175	3,954,369	Not redeemable	N/A
	<u>17</u>	<u>\$ 89,408,723</u>	<u>\$ 5,049,869</u>		

Omidyar Network Fund, Inc.
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The following table lists such investments by major category at December 31, 2014:

	Number of funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions in Place at Year End
(a) Hedge funds - equity strategies	3	\$ 30,945,711	\$ -	Ranges from monthly redemption with 35 days' notice to annual redemption with 90 days' notice	None
(b) Hedge funds - diversified	1	9,435,736	-	Ranges from monthly redemption with 45 days' notice to semiannual redemption with 90 days' notice	None
(c) Private equity and venture capital funds - U.S.	6	22,862,773	1,295,500	Not redeemable	N/A
(d) Hedge funds - debt strategies	2	16,785,537	-	Range from monthly redemption with 45 days' notice to annual redemption with 90 days' notice	None
(e) PRI and MRI - Private equity funds - non U.S.	5	12,718,892	5,198,006	Not redeemable	N/A
	<u>17</u>	<u>\$ 92,748,649</u>	<u>\$ 6,493,506</u>		

- (a) This category includes investments in hedge funds that primarily pursue equity value strategies that provide superior risk-adjusted returns.
- (b) This category includes investments in a hedge fund that pursues multiple strategies to diversify risks and reduce volatility including U.S. equity value and growth opportunities, distressed debt, arbitrage and emerging market equities.
- (c) This category includes several private equity and venture capital funds that invest primarily in U.S. private companies. Distributions from these funds will be received as the underlying investments of the funds are liquidated.
- (d) This category includes investments in hedge funds that primarily invest in multi-credit debt strategies that include investments in distressed debt.
- (e) This category includes investments in private equity funds that invest primarily in microfinance institutions in emerging economies and small to medium enterprises within India. Distributions from these funds will be received as the underlying investments of the funds are liquidated.

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6. Related Party Transactions

The Trust donated marketable securities with total fair value of \$184,703,245 and \$38,054,713 to the Foundation in 2015 and 2014, respectively.

During 2015 and 2014, Omidyar Network Services LLC, a subsidiary of Omidyar Network LLC, and an affiliated entity of the Foundation, provided program and general and administrative support to and paid for professional legal costs on behalf of the Foundation. Contributed services and in-kind gifts are allocated to the Foundation based on the percentage of the Foundation's annual grant and program and mission related investment transactions to the total annual transactions of both the Foundation and Omidyar Network LLC. The allocated amount may fluctuate significantly as the transaction mix changes from year to year. The amount of contributed services and in-kind gifts from Omidyar Network Services LLC is recognized as support. The support and related expenses for the years ended December 31, 2015 and 2014 totaled \$22,750,161 and \$26,076,326, respectively. In addition, other affiliated entities and related parties provided in-kind services related to investment management and travel of \$158,472 during 2015 and \$188,550 during 2014, to the Foundation.

7. Grants and Support

Grant expenses for December 31, 2015 are as follows:

	2015	2014
Grant payments	\$ 55,214,611	\$ 45,657,754
Less: amounts committed in previous years and paid	(3,091,265)	(2,726,102)
Future payments committed in the current year on unconditional grants	3,569,999	2,922,459
Refunded grants paid in previous year	(161,404)	(120,865)
Grant expenses	<u>\$ 55,531,941</u>	<u>\$ 45,733,246</u>

Payables related to unconditional grants are due as follows: \$6,082,114 due in 2016, \$685,000 due in 2017 and \$300,000 due in 2018. All grants payable are recorded at face value, which, as of December 31, 2015 and December 31, 2014, was immaterially different from present value.

As of December 31, 2015 and 2014, the Foundation had unfunded commitments of \$61,081,218 and \$47,464,535, respectively, related to conditional grants. Future installments are payable upon the satisfaction of certain conditions and therefore, will not be accrued until such conditions have been met.

In 2012, the Foundation also provided financial guarantee for one organization in the form of a letter of credit. The letter of credit was issued by a commercial bank, subject to periodic renewal. The arrangement expires on October 25, 2019. As of December 31, 2015, the face amount of the letter of credit was \$2,000,000.

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8. Taxes

Omidyar Network Fund, Inc. is a private foundation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, and from state income taxes under Section 23701(d) of the Revenue and Taxation Code of the State of California, respectively. Private foundations are subject to a federal excise tax on net investment income and may reduce their federal excise tax rate from 2% to 1% if the foundation's charitable expenditures exceed a specified minimum amount based on the foundation's average expenditures over the preceding five years. The Foundation was subject to 1% excise rate for both 2015 and 2014. At December 31, 2015 and 2014, deferred excise tax liabilities of 2% were recognized on net unrealized gains on investments. Certain investments provide unrelated business income, which is subject to unrelated business income tax. For the years ended December 31, 2015 and 2014, the unrelated business income provided by investments was immaterial.

The expenses for federal excise tax are as follows:

	2015	2014
Current	\$ 1,897,864	\$ 1,176,389
Deferred	91,980	(1,938,647)
Federal excise tax expenses	<u>\$ 1,989,844</u>	<u>\$ (762,258)</u>

The Foundation believes that it has appropriate support for the excise tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Foundation's consolidated financial position or changes in net assets.

9. Subsequent Events

The Foundation has evaluated subsequent events for the period from December 31, 2015 through June 16, 2016, the date the consolidated financial statements were available to be issued. There have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.