

Omidyar Network Fund, Inc.
Consolidated Financial Statements
December 31, 2018 and 2017

Omidyar Network Fund, Inc.

Index

December 31, 2018 and 2017

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Report of Independent Auditors

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 subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and of 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.

Auditors' 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 Company'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 Company'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 and its subsidiary as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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As discussed in Note 2 to the consolidated financial statements, the Foundation has changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2018. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

June 12, 2019

Omidyar Network Fund, Inc.
Consolidated Statements of Financial Position
December 31, 2018 and 2017

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 55,843,806 | \$ 136,346,442 |
| Interest and dividends receivable | 10,435,449 | 794,849 |
| Investments | 372,825,523 | 349,516,843 |
| Program and mission related investments | <u>54,380,588</u> | <u>58,543,874</u> |
| Total assets | <u>\$ 493,485,366</u> | <u>\$ 545,202,008</u> |
| Liabilities and Net Assets | | |
| Accounts payable and accrued liabilities | \$ 372,919 | \$ 72,948 |
| Grants payable | 10,702,019 | 14,515,021 |
| Deferred federal excise tax liability | <u>1,079,960</u> | <u>2,500,563</u> |
| Total liabilities | <u>12,154,898</u> | <u>17,088,532</u> |
| Net assets without donor restrictions | 417,729,718 | 528,113,476 |
| Net assets with donor restrictions | <u>63,600,750</u> | <u>-</u> |
| Total net assets | <u>481,330,468</u> | <u>528,113,476</u> |
| Total liabilities and net assets | <u>\$ 493,485,366</u> | <u>\$ 545,202,008</u> |

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

Omidyar Network Fund, Inc.
Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| Revenues and support without donor restrictions | | |
| Contributions | \$ 5,587,130 | \$ 127,327,940 |
| Contributed services and in-kind gifts | 41,432,597 | 39,892,335 |
| Investment return, net | (23,391,071) | 41,942,435 |
| Total revenues and support without donor restrictions | <u>23,628,656</u> | <u>209,162,710</u> |
| Expenses | | |
| Grants awarded | 92,584,195 | 83,922,279 |
| Other grantmaking expenses | 22,782,082 | 12,705,606 |
| Total grantmaking expenses | 115,366,277 | 96,627,885 |
| Management and general expenses | 18,646,137 | 28,878,665 |
| Total expenses | <u>134,012,414</u> | <u>125,506,550</u> |
| Increase (Decrease) in net assets without donor restrictions | <u>(110,383,758)</u> | <u>83,656,160</u> |
| Revenue with donor restrictions | | |
| Contributions | 63,600,750 | - |
| Increase in net assets with donor restrictions | 63,600,750 | - |
| Increase (Decrease) in total net assets | (46,783,008) | 83,656,160 |
| Total net assets | | |
| Beginning of year | 528,113,476 | 444,457,316 |
| End of year | <u>\$ 481,330,468</u> | <u>\$ 528,113,476</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, 2018 and 2017

| | 2018 | 2017 |
|--|----------------------|-----------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (46,783,008) | \$ 83,656,160 |
| Adjustments to reconcile change in total net assets to net cash used in operating activities | | |
| Unrealized and realized loss (gain) on investments | 29,377,730 | (34,988,485) |
| Noncash contributions received | (69,187,880) | (127,327,940) |
| Amortization of premium on bond investments | 1,415,328 | 1,032,166 |
| Proceeds from sale of donated securities | 61,672,148 | 116,980,607 |
| Changes in operating assets and liabilities | | |
| Interest and dividends receivable | (9,640,600) | 92,540 |
| Accounts payable and accrued liabilities | 299,971 | (366,642) |
| Grants payable | (3,813,002) | (1,783,032) |
| Deferred federal excise tax liability | (1,420,603) | 670,469 |
| Net cash (used in) provided by operating activities | <u>(38,079,916)</u> | <u>37,965,843</u> |
| Cash flows from investing activities | | |
| Purchase of investments | (152,018,546) | (133,729,764) |
| Distributions from investments | 563,296 | 2,479,874 |
| Proceeds from sale of investments | <u>109,032,530</u> | <u>157,640,227</u> |
| Net cash (used in) provided by investing activities | <u>(42,422,720)</u> | <u>26,390,337</u> |
| Net change in cash and cash equivalents | (80,502,636) | 64,356,180 |
| Cash and cash equivalents | | |
| Beginning of year | <u>136,346,442</u> | <u>71,990,262</u> |
| End of year | <u>\$ 55,843,806</u> | <u>\$ 136,346,442</u> |
| Supplemental schedule of noncash activities | | |
| Contributed services and in-kind gifts | \$ 41,432,597 | \$ 39,892,335 |

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

Omidyar Network Fund, Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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 non-profit organizations.

Revenues and gains or losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expenses and other assets or liabilities are reported as decreases or increases in net assets without donor restrictions.

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.

Net Assets Without Donor Restrictions

Net Assets without donor restrictions represent resources that are not subject to donor-imposed restrictions and are available to support the Foundation’s activities.

Net Assets With Donor Restrictions

Net Assets with donor restrictions represent donations that are subject to donor-imposed restrictions which expires with the passage of time. Upon the passage of time, the associated net assets are released and recognized as net assets without donor restrictions.

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.

Omidyar Network Fund, Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Investments

Investments, including program related investments (PRIs) and mission related investments (MRIs), 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.

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.

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Investment Income

Realized gains or losses, unrealized gains or losses, and dividends and interest are accrued as earned and are reported on the Consolidated Statement of Activities within investment return, net.

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 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 May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, *Revenues from Contracts with Customers, Topic 606*, which was a joint project of the FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The update provides that an entity should recognize revenue in connection with the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, an entity is required to apply each of the following steps: (1) identify the contract(s) with the customer; (2) identify the performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in this update were initially planned to be effective for annual reporting periods beginning after December 15, 2017, however in July 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of Effective Date*. This guidance approves a one-year deferral of the effective date of ASU 2014-09. The final ASU now requires the Foundation to adopt this standard on January 1, 2019. Early adoption is permitted as of the initial effective date, but not prior to that date. The Foundation has determined that the adoption of this standards had no impact on the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. For nonpublic entities (including not-for-profit organizations and employee benefit plans), the standard is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption of the standard is permitted for all organizations that are not public business entities as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Foundation is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which addresses how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Effective January 1, 2018, the Foundation has adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which addresses how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. Under the new guidance, the Foundation made changes in presentation of net assets,

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investment income, net, and included additional disclosures of expense classifications (Note 8) and liquidity of the Foundation's financial assets (Note 9).

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This Update addresses accounting guidance for how to clarify contributions Not-for-Profit entities received and made by (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance, and (2) determining whether a transaction is conditional or unconditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption of the standard is permitted. The Foundation has decided adoption of this standard had no material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. It eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. The amended guidance intended to improve the effectiveness of disclosures in the notes to financial statements by focusing on requirements that clearly communicate the most important information to users of the financial statements. The guidance is effective for interim and annual periods beginning after December 15, 2019. The Foundation is currently evaluating the impact of this guidance on the financial statements.

3. Investments

Investments held at December 31:

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Convertible securities | \$ 47,958,346 | \$ 48,931,935 |
| Public equity securities | 162,700,544 | 154,806,433 |
| Fixed income securities | 72,372,519 | 55,893,319 |
| Private equity, venture capital and hedge funds | <u>89,794,114</u> | <u>89,885,156</u> |
| Total investments | <u>\$ 372,825,523</u> | <u>\$ 349,516,843</u> |

At December 31, 2018 and 2017, the Foundation had unfunded commitments of \$615,500 and \$865,500, 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.

Management corrected the classification of \$21.4 million of investments from public equity securities to public debt strategies. These corrections had no impact on the total value of the investments held at December 31, 2017. Management does not believe that these corrections were material to the 2017 financial statements.

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Notes to Consolidated Financial Statements
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4. Program and Mission Related Investments

Program and mission related investments are strategic investments aligned with the Foundation's mission. These investments are primarily composed of equities, equity funds and debt.

Program and mission related investments held at December 31:

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Private equity investments | \$ 38,948,521 | \$ 42,626,671 |
| Venture capital and private equity funds | 9,324,192 | 9,843,003 |
| Debt and convertible notes | <u>6,107,875</u> | <u>6,074,200</u> |
| Total program and mission related investments | <u>\$ 54,380,588</u> | <u>\$ 58,543,874</u> |

As of December 31, 2018 and 2017, the Foundation had unfunded commitments of \$2,681,969 and \$3,415,534, respectively, related to investments in companies and 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.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in investment funds that do not have a readily determinable fair value may be valued at NAV as a practical expedient. Investments measured at NAV include private equity and venture capital funds.

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

Omidyar Network Fund, Inc.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

The following table presents the investments carried at fair value on the Consolidated Statement of Financial Position as of December 31, 2018 (as described above):

| | Assets at Fair Value as of December 31, 2018 | | | | |
|--|--|-----------------------|----------------------|----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | NAV | Total |
| Convertible securities | \$ - | \$ 47,958,346 | \$ - | \$ - | \$ 47,958,346 |
| Public equity securities | 162,700,544 | - | - | - | 162,700,544 |
| Fixed income securities | - | 72,372,519 | - | - | 72,372,519 |
| Private equity, venture capital and hedge funds | - | - | - | 89,794,114 | 89,794,114 |
| PRI and MRI - private equity | - | - | 38,948,521 | - | 38,948,521 |
| PRI and MRI - private equity funds and venture capital funds | - | - | - | 9,324,192 | 9,324,192 |
| PRI and MRI - private debt and convertible notes | - | - | 6,107,875 | - | 6,107,875 |
| | <u>\$ 162,700,544</u> | <u>\$ 120,330,865</u> | <u>\$ 45,056,396</u> | <u>\$ 99,118,306</u> | <u>\$ 427,206,111</u> |

There were no transfers of assets between levels of the fair value hierarchy in 2018.

The following table presents the investments carried at fair value on the Consolidated Statement of Financial Position as of December 31, 2017 (as described above):

| | Assets at Fair Value as of December 31, 2017 | | | | |
|--|--|-----------------------|----------------------|----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | NAV | Total |
| Convertible securities | \$ - | \$ 48,931,935 | \$ - | \$ - | \$ 48,931,935 |
| Public equity securities | 154,806,433 | - | - | - | 154,806,433 |
| Fixed income securities | - | 55,893,319 | - | - | 55,893,319 |
| Private equity, venture capital and hedge funds | - | - | - | 89,885,156 | 89,885,156 |
| PRI and MRI - private equity | - | - | 42,626,671 | - | 42,626,671 |
| PRI and MRI - private equity funds and venture capital funds | - | - | - | 9,843,003 | 9,843,003 |
| PRI and MRI - private debt and convertible notes | - | - | 6,074,200 | - | 6,074,200 |
| | <u>\$ 154,806,433</u> | <u>\$ 104,825,254</u> | <u>\$ 48,700,871</u> | <u>\$ 99,728,159</u> | <u>\$ 408,060,717</u> |

There were no transfers of assets between levels of the fair value hierarchy in 2017.

During the preparation of the financial statements, management determined that \$75.2 million of private equity, venture capital and hedge funds held in 2017, classified as level 2 investments, should have been classified as NAV. Management corrected the 2017 leveling table to include those 2017 investments in the NAV column in the table above. Further, management has corrected the classification of \$21.4 million of investments from Hedge Funds - equity strategies to Hedge Funds - debt strategies. These corrections had no impact on the total value of the investments held at December 31, 2017. Management does not believe that these corrections were material to the 2017 financial statements.

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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, 2018 (including the change in fair value) for investments classified within Level 3 of the fair value hierarchy.

| | PRI and MRI - Private Equity | PRI and MRI - Private Debt and Convertible Note | Total |
|-------------------------------------|---|--|----------------------|
| Balance at December 31, 2017 | \$ 42,626,671 | \$ 6,074,200 | \$ 48,700,871 |
| Purchases | 2,150,000 | - | 2,150,000 |
| Sales and distributions | - | - | - |
| Maturities and conversions | - | - | - |
| Gains/(Losses) | | | |
| Realized | - | - | - |
| Unrealized | (5,828,150) | 33,675 | (5,794,475) |
| Transfers in (out) of Level 3 | - | - | - |
| Balance at December 31, 2018 | <u>\$ 38,948,521</u> | <u>\$ 6,107,875</u> | <u>\$ 45,056,396</u> |

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

The following table includes a roll-forward of the amounts in the Consolidated Statement of Financial Position as of December 31, 2017 (including the change in fair value) for investments classified within Level 3 of the fair value hierarchy.

| | PRI and MRI - Private Equity | PRI and MRI - Private Debt and Convertible Note | Total |
|-------------------------------------|---|--|----------------------|
| Balance at December 31, 2016 | \$ 27,182,198 | \$ 11,188,320 | \$ 38,370,518 |
| Purchases | 4,936,867 | 2,246,616 | 7,183,483 |
| Sales and distributions | - | - | - |
| Maturities and conversions | 7,419,479 | (7,419,479) | - |
| Gains/(Losses) | | | |
| Realized | - | - | - |
| Unrealized | 3,088,127 | 58,743 | 3,146,870 |
| Transfers in (out) of Level 3 | - | - | - |
| Balance at December 31, 2017 | <u>\$ 42,626,671</u> | <u>\$ 6,074,200</u> | <u>\$ 48,700,871</u> |

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

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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, 2018.

| Direct Private Equity Investment | Fair Value | Valuation Technique(s) | Unobservable Input | Assumptions or Range |
|---|-------------------|---|--|-------------------------------|
| Education | \$ 22,844,034 | Option pricing model | Expected volatility Time to exit (years) | 50.8 % - 64.1 % 2.0 - 5.0 |
| Emerging market entrepreneurship | 4,486,210 | Market comparable Option pricing model | Book value multiple Expected volatility Time to exit (years) Discount for lack of marketability | 1.7x 62.5% 2.0 10.0% |

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, 2017.

| Direct Private Equity Investment | Fair Value | Valuation Technique(s) | Unobservable Input | Assumptions or Range |
|---|-------------------|---|--|-------------------------------|
| Education | \$ 9,283,410 | Option pricing model | Expected volatility Time to exit (years) | 48.4 % - 65.3 % 2.0 - 3.0 |
| Emerging market entrepreneurship | 3,403,575 | Market comparable Option pricing model | Book value multiple Expected volatility Time to exit (years) Discount for lack of marketability | 2.5x 64.4% 3.0 15.0% |
| Financial inclusion | 11,276,119 | Option pricing model | Expected volatility Time to exit (years) | 44.2% 2.0 |

Omidyar Network Fund, Inc.
Notes to Consolidated Financial Statements
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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, 2018:

| | Number of funds | Fair Value | Unfunded Commitments | Redemption Terms | Redemption Restrictions in Place at Year End |
|--|--------------------|----------------------|-------------------------|--|---|
| (a) Hedge funds - equity strategies | 1 | \$ 17,806,526 | \$ - | Ranges from monthly redemption with 35 days' notice to annual redemption with 90 days' notice | None |
| (b) Hedge funds - diversified | 1 | 18,046,289 | - | 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. | 4 | 12,507,315 | 615,500 | Not redeemable | N/A |
| (d) Hedge funds - debt strategies | 3 | 25,882,567 | - | Range from | None |
| - debt strategies | 1 | 15,551,417 | - | monthly redemption with 45 days' notice to annual redemption with 90 days' notice | Locked from redemption till February 2021 |
| (e) PRI and MRI - private equity funds - non U.S. | 6 | 9,324,192 | 2,681,969 | Not redeemable | N/A |
| | <u>16</u> | <u>\$ 99,118,306</u> | <u>\$ 3,297,469</u> | | |

Omidyar Network Fund, Inc.
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The following table lists such investments by major category at December 31, 2017:

| | Number of funds | Fair Value | Unfunded Commitments | Redemption Terms | Redemption Restrictions in Place at Year End |
|---|-----------------|----------------------|----------------------|---|--|
| (a) Hedge funds - equity strategies | 2 | \$ 24,360,559 | \$ - | Ranges from monthly redemption with 35 days' notice to annual redemption with 90 days' notice | None |
| (b) Hedge funds - diversified | 1 | 18,007,262 | - | 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 | 14,694,847 | 865,500 | Not redeemable | N/A |
| (d) Hedge funds - debt strategies | 3 | 32,822,488 | - | 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. | 6 | 9,843,003 | 3,152,986 | Not redeemable | N/A |
| | <u>18</u> | <u>\$ 99,728,159</u> | <u>\$ 4,018,486</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 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.

Management corrected the classification of \$14.5 million of investments from hedge funds – equity strategies to hedge funds – debt strategies. These corrections had no impact on the total value of the investments held at December 31, 2017. Management does not believe that these corrections were material to the 2017 financial statements.

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6. Related Party Transactions

The Trust donated marketable securities with total fair value of \$69,187,880 and \$127,327,940 to the Foundation in 2018 and 2017, respectively.

During 2018 and 2017, 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, 2018 and 2017 totaled \$41,307,597 and \$39,747,335, respectively. In addition, other affiliated entities and related parties provided in-kind services related to investment management of \$125,000 during 2018 and \$145,000 during 2017 to the Foundation.

7. Grants and Support

Grant expenses for the year ended by December 31 are as follows:

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Grant payments | \$ 97,016,615 | \$ 85,669,231 |
| Less: Amounts committed in previous years and paid | (11,391,117) | (11,684,149) |
| Future payments committed in the current year on unconditional grants | 7,578,115 | 10,051,117 |
| Prepaid grant committed in the following year | (500,000) | - |
| Refunded grants paid in previous year | (119,418) | (113,920) |
| Grant expenses | <u>\$ 92,584,195</u> | <u>\$ 83,922,279</u> |

Grants payable are due as follows:

| Year Ending December 31, | Amount |
|---------------------------------|----------------------|
| 2019 | \$ 9,142,019 |
| 2020 | <u>1,560,000</u> |
| Grants Payable | <u>\$ 10,702,019</u> |

All grants payable are recorded at face value, which, as of December 31, 2018 and December 31, 2017, was immaterially different from present value.

As of December 31, 2018 and 2017, the Foundation had unfunded commitments of \$52,738,393 and \$58,385,607, 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.

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The arrangement expires on October 25, 2019. As of December 31, 2018, the face amount of the letter of credit was \$2,000,000, of which no amounts have been drawn upon.

In 2016, the Foundation entered into a second guaranty agreement with the same organization above in the form of a deposit account. The arrangement will terminate on October 25, 2024. As of December 31, 2018, the face amount of the deposit was \$2,000,000.

8. Analysis of Expenses

The Foundation reported other program and administrative activities both supported by Omidyar Network Services LLC and occurred within 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. Expenditures directly associated with one of the Omidyar Network LLC's initiatives were classified as program activities, all other indirect expenses were classified as supporting activities.

The total expenses, displayed by natural expense classification, for the year ended by December 31, 2018 were as follow:

| | <u>Program Activities</u> | <u>Supporting Activities</u> | |
|----------------------------|---------------------------|-------------------------------|-----------------------|
| | <u>Grantmaking</u> | <u>Management and General</u> | <u>Total Expenses</u> |
| Grants awarded | \$ 92,584,195 | \$ - | \$ 92,584,195 |
| Other expenses | | | |
| Salary and benefits | 14,066,265 | 10,502,081 | 24,568,346 |
| Professional services | 5,767,301 | 2,551,738 | 8,319,039 |
| Travel and conference | 2,569,095 | 905,788 | 3,474,883 |
| Facilities | 135,470 | 3,919,960 | 4,055,430 |
| Federal excise tax | - | 119,398 | 119,398 |
| Miscellaneous expenses | 243,951 | 647,172 | 891,123 |
| Subtotal of other expenses | <u>22,782,082</u> | <u>18,646,137</u> | <u>41,428,219</u> |
| Total expenses | <u>\$ 115,366,277</u> | <u>\$ 18,646,137</u> | <u>\$ 134,012,414</u> |

9. Liquidity

The Foundation's financial assets available within one year of December 31, 2018 to meet general expenditures include:

| | Amount |
|-----------------------------------|-----------------------|
| Cash and cash equivalents | \$ 55,843,806 |
| Interest and dividends receivable | 10,435,449 |
| Marketable securities | 283,031,411 |
| Redeemable hedge funds | 61,735,382 |
| Available financial assets | <u>\$ 411,046,048</u> |

The Foundation intends to structure its financial assets to cover grants awarded and excise tax expenses. All other program expenses and management and general expenses are contributed

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services and in-kind gifts from Omidyar Network Services LLC. The Foundation has no payment obligation, nor liabilities associated with these contributed and in-kind expenses. All assets with donor restrictions will automatically become assets without donor restrictions on the first day of 2019. There are no other internal limits imposed by governing board.

10. 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 a foundation's charitable expenditures exceed a specified minimum amount based on its average expenditures over the preceding five years. The Foundation was subject to 1% excise rate for 2018 and 1% for 2017. The Foundation also recognized 2% deferred excise tax liabilities on net unrealized gains on investments at December 31, 2018 and 2017. Certain investments provide unrelated business income, which is subject to unrelated business income tax. For the years ended December 31, 2018 and 2017, the unrelated business income provided by investments was immaterial.

The expenses for federal excise tax are as follows:

| | 2018 | 2017 |
|-----------------------------|-------------------|---------------------|
| Current | \$ 914,063 | \$ 1,455,255 |
| Deferred | <u>(794,665)</u> | <u>381,653</u> |
| Federal excise tax expenses | <u>\$ 119,398</u> | <u>\$ 1,836,908</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.

11. Subsequent Events

The Foundation has evaluated subsequent events for the period from December 31, 2018 through June 12, 2019, 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.