



**DIRECT IMPACT**  
**FUND**

**Financial Statements**  
**June 30, 2018**

**Together with**  
**Independent Auditors' Report**

**DIRECT IMPACT FUND**

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June 30, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Direct Impact Fund  
Redwood City, California

We have audited the accompanying financial statements of Direct Impact Fund (“DIF” or the “Organization”), a California public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of  
Direct Impact Fund  
Redwood City, California

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DIF as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*R. Shue Lee + Associates, LLP*

San Jose, California  
February 26, 2019

**DIRECT IMPACT FUND**  
**Statement of Financial Position**  
June 30, 2018

**ASSETS**

Cash	\$ 12,415,606
Pledges and accounts receivable, net	4,779,603
Other receivables	<u>279,164</u>
 Total assets	 <u>\$ 17,474,373</u>

**LIABILITIES AND NET ASSETS**

Grants payable	<u>\$ 11,916,045</u>
Contingencies	
Net assets	
Unrestricted	15,489
Temporarily restricted	<u>5,542,839</u>
 Total net assets	 <u>5,558,328</u>
 Total liabilities and net assets	 <u>\$ 17,474,373</u>

The accompanying notes are an integral part of these financial statements

**DIRECT IMPACT FUND**  
**Statement of Activities and Changes in Net Assets**  
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support			
Contributions	\$ 26,917	\$ 34,850,569	\$ 34,877,486
In-kind contributions	126,313	-	126,313
Release of restrictions	29,307,730	(29,307,730)	-
	<u>29,460,960</u>	<u>5,542,839</u>	<u>35,003,799</u>
Expenses			
Program services	28,380,234	-	28,380,234
General and management	122,809	-	122,809
Fundraising	942,428	-	942,428
	<u>29,445,471</u>	<u>-</u>	<u>29,445,471</u>
Change in net assets	15,489	5,542,839	5,558,328
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 15,489</u>	<u>\$ 5,542,839</u>	<u>\$ 5,558,328</u>

The accompanying notes are an integral part of these financial statements

**DIRECT IMPACT FUND**  
**Statement of Functional Expenses**  
Year Ended June 30, 2018

Expenses	Program services	General and management	Fundraising	Total expenses
Grants	\$ 28,380,234	-	-	\$ 28,380,234
Platform fees	-	-	471,107	471,107
Credit card processing fees	-	-	464,095	464,095
Professional services	-	108,154	-	108,154
Contract administrator	-	10,333	-	10,333
Miscellaneous	-	-	7,226	7,226
Bank and service fees	-	3,722	-	3,722
Subscriptions	-	600	-	600
<b>Total expenses</b>	<b>\$ 28,380,234</b>	<b>\$ 122,809</b>	<b>\$ 942,428</b>	<b>\$ 29,445,471</b>

The accompanying notes are an integral part of these financial statements

**DIRECT IMPACT FUND**

**Statement of Cash Flows**

Year Ended June 30, 2018

Cash flows from operating activities	
Change in net assets	\$ 5,558,328
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Change in present value of future contributions	171,728
Changes in operating assets and liabilities	
Pledges and accounts receivable	(4,951,331)
Other receivables	(279,164)
Grants payable	11,916,045
	<hr/>
Net cash provided by operating activities	12,415,606
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Increase in cash	12,415,606
Cash, beginning of year	-
	<hr/>
Cash, end of year	\$ 12,415,606
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The accompanying notes are an integral part of these financial statements



**DIRECT IMPACT FUND**  
**Notes to Financial Statements**  
June 30, 2018

**Note 1 - Organization and operations**

Direct Impact Fund, formerly called GoFundMe Impact Fund, (“DIF” or the “Organization”) was organized on April 6, 2016. DIF is a not-for-profit organization incorporated under the laws of the state of California. While its mission is broad to include educational and other charitable initiatives, the primary purpose of DIF is to enable the public to give to specific causes (typically disasters either caused by nature or man-made) on the on-line platforms hosted by GoFundMe, Inc. under either the GOFUNDME or CROWDRISE BY GOFUNDME brands. The Organization receives funds donated through these platforms as well as direct donations from donors. Grants are made to either individuals determined to be in the charitable class impacted by the disaster, or charities providing assistance to the impacted charitable class.

While organized in April 2016, operations did not commence until August 2017 in the aftermath of Hurricane Harvey, which devastated the Greater Houston area. Shortly after that natural disaster, the DIF was instrumental in the organization of campaigns for a variety of other disasters, including Hurricanes Maria and Irma, Las Vegas Shooting, the southern and northern California wild fires, and the Time’s Up campaign.

The Organization has received a determination letter from the Internal Revenue Service and the California Franchise Tax Board that it is exempt from federal and state taxation under Section 501(c)(3) of the US Internal Revenue Code and applicable state statutes.

**Note 2 - Summary of significant accounting policies**

Basis of accounting - The 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 - 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. Temporarily restricted net assets as of June 30, 2018 represent funds collected on specific campaigns that have yet to be granted out, as of June 30, 2018. For the year ended June 30, 2018, the amount received as temporarily restricted and the amount released from restrictions was \$34,850,569 and \$29,307,730, respectively.

**DIRECT IMPACT FUND**  
**Notes to Financial Statements**  
June 30, 2018

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

Basis of accounting (continued)

- *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 as of June 30, 2018.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the 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 restricted for the campaign contributed to by donors unless specifically noted as unrestricted 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 restricted support and increase temporarily restricted net assets and are released as grants are granted.

Conditional promises to give, if any, are not included as support until the conditions are substantially met. DIF did not have any conditional promises to give for the year ended June 30, 2018.

Contributions consist of funds contributed to DIF for redistribution to various charities and/or charitable class helping and/or impacted by the disaster. These funds are recognized as temporarily restricted funds when a contribution is made. While DIF does maintain variance power over the contributions made, since the donations are purpose restricted DIF is obligated to support charities and/or the charitable class impacted by the disaster.

**DIRECT IMPACT FUND**  
**Notes to Financial Statements**  
June 30, 2018

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

Revenue recognition (continued) - Contributions received on the on-line platforms are processed through a third-party credit card processor who clears the credit cards. For this service, the third-party processor charges 2.9% of the contribution made plus \$.30 per transaction. Such fees are recognized as fundraising costs in the accompanying financial statements and totaled \$463,573 for the year ended June 30, 2018. Donors that renege on their on-line donation are refunded their donations by the third-party processor who will recapture the funds from the DIF. Typically, donors will renege on a donation within a few days of making the donation but usually no longer than one month from the original donation date.

The GoFundMe platform, which housed many of the DIF campaigns, charged a 5% platform fee, taken from donations received by campaigns started before December 1, 2017.

Campaigns commencing on or after December 1, 2017 were no longer subject to this 5% platform fee. Rather, donors could elect to add a “tip” to their donations which did not diminish the amount being donated to the intended campaign. In addition, all campaign organizers of any campaigns created before December 1, 2017, could elect to stop incurring the 5% platform fee and apply the tipping model to his/her campaign. DIF as a campaign organizer did not change any of the pre-December 1, 2017 campaigns to the tipping model. Since the 5% platform fee applied to campaigns created before December 1, 2017, DIF paid GoFundMe \$471,104 during the year ended June 30, 2018. Such amounts are reflected as fundraising expenses in the accompanying financial statements.

DIF also accepts direct donations via check or wires. These donations are not subject to the aforementioned fees. Direct donations are recognized when received unless the donor has committed to a long-term pledge, in which case the contribution is recorded when pledged. (See Note 3).

Donated materials and services - GoFundMe has agreed to pay the operating expenses of DIF for the year ended June 30, 2018 under a resource sharing agreement dated March 2018 but effective July 1, 2017. GoFundMe paid \$126,313 on DIF’s behalf as follows:

Attorney fees	\$	66,472
Contract CFO fees	\$	41,682
Administration fees	\$	10,333
Software licenses and other	\$	7,826

The operating expenses paid by GoFundMe are recorded as in-kind contributions by DIF.

**DIRECT IMPACT FUND**  
**Notes to Financial Statements**  
June 30, 2018

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

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Since DIF's mission is to provide grant funding to those impacted by disasters, over 96% of total expenses were grants. All other expenses were either charged to fundraising (as described above) or management and general.

Cash and cash equivalents - Cash and cash equivalents consist of cash held at one bank. The Organization considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Pledges and accounts receivable - Amounts receivable primarily consists of pledge receivables and amounts due from the third-party processor for on-line donations. Pledges that are promised in one year but are not expected to be collected until after the end of the year are reported at fair value using an appropriate discount rate commensurate with the risks involved. For the year ended June 30, 2018 the fair value discount was approximately \$172,000 (See Note 3).

An allowance reserve for refundable pledges, if any, is determined based on management's analysis of the potential for renege donations as of June 30, 2018. The allowance reserve for refundable pledges is immaterial to the financial statements and no allowance reserve has been recorded as of June 30, 2018.

Grants payable - Grants are made in accordance with the Organization's mission. All grants payable at June 30, 2018 were approved by the Board of Directors by June 30, 2018. There were no contingent grants payable as of June 30, 2018. All grants to either the charitable class or charities assisting the charitable class are vetted thoroughly before the Board approves payment. As a result, DIF does not anticipate any grants will be required to be refunded by the grantee.

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 a commercial bank. Deposits, at times, might exceed Federal Deposit Insurance Corporation ("FDIC") limits in the United States. It is the Organization's opinion that it is not exposed to any significant credit risks.

Concentration of contributions - For the year ended June 30, 2018, two campaigns managed by DIF accounted for approximately 81% of total contributions received. No single donor accounted for more than 8% of total revenue.

Concentration of grants - For the year ended June 30, 2018, two individual charities accounted for 87% of grant expense, and two charities accounted for 98% of grants payable.

**DIRECT IMPACT FUND**  
**Notes to Financial Statements**  
June 30, 2018

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

Fair value of financial instruments - Financial instruments included in DIF's statement of financial position as of June 30, 2018 include cash, pledges receivable, other receivables, and grants payable. For all such financial instruments the carrying amount approximates fair value due to its short maturity, except for long-term pledge receivables which have been discounted to approximate fair value.

Accounting for uncertainty in income taxes - DIF 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 financial statements and the amount of the loss can be reasonable estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2018, management did not identify any uncertain tax positions.

The Organization is subject to potential examination by federal and state taxing authorities for income tax returns filed in any jurisdiction requiring tax filing. The tax years that remain subject to potential examination is the June 30, 2018 returns which have yet to be filed. DIF filed postcard returns for both the years ended June 30, 2017 and 2016 which reflected no activity.

Recent accounting pronouncements - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-14 "Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities." The ASU is intended to improve identified issues about the current financial reporting for Not-for-Profits. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted. The Organization does not expect the adoption of this ASU to have a material impact on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08 "Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2019. Early application is permitted. The Organization does not expect the adoption of this ASU to have a material impact on the financial statements.

**DIRECT IMPACT FUND**  
**Notes to Financial Statements**  
June 30, 2018

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

Subsequent events - Subsequent events are evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and it had been determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2018.

**Note 3 - Pledges and other receivables**

As of June 30, 2018, DIF is owed \$279,164 from the third-party credit card processor as a result of on-line donations not yet transferred to the DIF operating accounts as of June 30, 2018. Of this amount, approximately 42% was received subsequent to June 30, 2018. Funds not received from the third-party processor are being held there until DIF can accommodate the funds.

As a result of the Time's Up campaign, several donors made long-term contributions payable over two to five years. Expected future payments are as follows:

Fiscal Year Ending June 30,	
2019	\$ 2,448,166
2020	2,198,165
2021	115,000
2022	115,000
2023	15,000
Thereafter	<u>60,000</u>
	4,951,331
Less discount	<u>(171,728)</u>
	<u>\$ 4,779,603</u>

**DIRECT IMPACT FUND**  
**Notes to Financial Statements**  
June 30, 2018

**Note 4 - Related-party transactions**

Pursuant to the Bylaws, DIF has two classes of board members – designated members and members elected by the Board. The designated member(s) are designated by GoFundMe, Inc. At no time may designated members account for more than 49% of the total board membership.

As detailed in Note 2, GoFundMe paid for DIF’s administrative and certain fundraising expenses totaling \$126,321 for the period ended June 30, 2018. This amount is reflected in the statement of activities and changes in net assets as in-kind donations with the corresponding expenses included in the appropriate functional expense category.

In its normal course of business operations, GoFundMe had been charging DIF a 5% fee on donations raised through the on-line platform. On December 1, 2017, GoFundMe transitioned to a 0% platform fee / tipping model.

Campaigns started before December 1, 2017 were assessed the 5%, unless, after December 1, 2017, the campaign organizer elected to transition his/her campaign to the tipping model. Because the 5% platform fee applied to certain of the campaigns, DIF paid GoFundMe a total of \$471,104 during the period ended June 30, 2018. Such fees paid were considered a release of restrictions even though they are reflected as a fundraising expense.

Campaigns started before December 1, 2017 were still assessed the 5%. DIF, as a result, paid GoFundMe a total of \$471,104 during the period ended June 30, 2018. Such fees paid were considered a release of restrictions even though they are reflected as a fundraising expense.

These fees are netted against the donation made by the third-party processor who then remits to the named beneficiary for the campaign the net. Total fees paid by DIF under this arrangement amounted to \$463,573 for the period ended June 30, 2018. Such fees paid were considered a release of restrictions even though they are reflected as a fundraising expense.

In addition, GoFundMe provided direct campaign contributions to various campaigns organized by DIF totaling \$315,000 during the period ended June 30, 2018.

**Note 5 - Contingencies**

Due to the nature of the Organization’s operations, claims and litigation may periodically arise. As of June 30, 2018, management is not aware of any claims and/or litigation, either asserted or unasserted, which could have a material effect on the financial statements.