

Omidyar Network Fund, Inc.
Consolidated Financial Statements
December 31, 2016 and 2015

Omidyar Network Fund, Inc.

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December 31, 2016 and 2015

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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, 2016 and 2015, 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.

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 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, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a horizontal line.

April 28, 2017

Omidyar Network Fund, Inc.
Consolidated Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 71,990,262	\$ 191,053,817
Interest and dividends receivable	887,389	680,253
Investments	340,452,240	215,197,175
Program and mission related investments	49,695,162	39,765,682
Total assets	<u>\$ 463,025,053</u>	<u>\$ 446,696,927</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 439,590	\$ 59,668
Grants payable	16,298,053	7,336,013
Deferred federal excise tax liability	1,830,094	2,238,703
Total liabilities	18,567,737	9,634,384
Unrestricted net assets	<u>444,457,316</u>	<u>437,062,543</u>
Total liabilities and unrestricted net assets	<u>\$ 463,025,053</u>	<u>\$ 446,696,927</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, 2016 and 2015

	2016	2015
Revenues and support		
Contributions	\$ 52,558,990	\$ 184,703,245
Contributed services and in-kind gifts	28,462,839	22,908,633
Interest and dividends, net	6,495,469	1,108,964
Realized gains on investments, net	622,530	6,962,348
Unrealized gains (losses) on investments, net	18,753,950	(12,775,608)
Total revenues and support	<u>106,893,778</u>	<u>202,907,582</u>
Expenses		
Program expenses		
Grants	69,596,461	55,531,941
Other program expenses	10,953,846	8,857,048
Total program expenses	<u>80,550,307</u>	<u>64,388,989</u>
Administrative expenses	17,364,085	13,898,503
Federal excise tax expenses	1,584,613	1,989,844
Total expenses	<u>99,499,005</u>	<u>80,277,336</u>
Increase in unrestricted net assets	7,394,773	122,630,246
Unrestricted net assets		
Beginning of year	<u>437,062,543</u>	<u>314,432,297</u>
End of year	<u>\$ 444,457,316</u>	<u>\$ 437,062,543</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, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 7,394,773	\$ 122,630,246
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Unrealized (gains) losses on investments	(18,753,950)	12,775,608
Realized gains on investments	(622,530)	(6,962,348)
Noncash contributions received	(52,558,990)	(184,703,245)
Amortization of premium on bond investments	(393,158)	2,570,198
Proceeds from sale of donated securities	34,649,355	185,820,237
Changes in operating assets and liabilities		
Interest and dividends receivable	(207,136)	(165,424)
Prepaid federal excise tax	-	183,993
Accounts payable and accrued liabilities	379,922	(3,531)
Grants payable	8,962,040	478,734
Deferred federal excise tax liability	(408,609)	1,744,741
Net cash (used in) provided by operating activities	<u>(21,558,283)</u>	<u>134,369,209</u>
Cash flows from investing activities		
Purchase of investments	(169,492,286)	(58,891,897)
Distributions from investments	4,766,106	4,381,131
Proceeds from sale of investments	<u>67,220,908</u>	<u>54,826,105</u>
Net cash (used in) provided by investing activities	<u>(97,505,272)</u>	<u>315,339</u>
Net change in cash and cash equivalents	(119,063,555)	134,684,548
Cash and cash equivalents		
Beginning of year	<u>191,053,817</u>	<u>56,369,269</u>
End of year	<u>\$ 71,990,262</u>	<u>\$ 191,053,817</u>
Supplemental schedule of noncash activities		
Contributed services and in-kind gifts	\$ 28,462,839	\$ 22,908,633

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

Omidyar Network Fund, Inc.

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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. As of December 31, 2016, there are no net assets that are subject to donor imposed 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.

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.

Omidyar Network Fund, Inc.

Notes to Consolidated Financial Statements

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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.

Omidyar Network Fund, Inc.

Notes to Consolidated Financial Statements

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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

Effective January 1, 2016, the Company has elected to adopt Accounting Standard Update ("ASU") No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Under the new guidance, investments measured at net asset value ("NAV"), as a practical expedient for fair value, are excluded from the fair value hierarchy. In addition, when the NAV as practical expedient is not applied to eligible investments, certain other disclosures regarding nature and risks of investments are no longer required. The Foundation has early adopted this standard in 2016 and the effects including retrospective application are addressed in Note 2.

In May 2014, the Financial Accounting Standards Board (the "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 is currently evaluating the potential impact, if any, of the adoption of this standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*, which requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. ASU No. 2014-15 applies to all entities and is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. The Foundation has determined that the adoption of this standard did not have an impact on its consolidated financial statements.

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. ASU No. 2015-02 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 has determined that the adoption of these amendments did not have an impact on its consolidated financial statements.

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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 public business entities, ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other 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 NFP 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. Early adoption is permitted. 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:

	2016	2015
Convertible securities	\$ 49,630,190	\$ 24,998,793
Public equity securities	165,971,667	76,723,164
Fixed income securities	36,716,919	36,547,670
Private equity, venture capital and hedge funds	<u>88,133,464</u>	<u>76,927,548</u>
Total investments	<u>\$ 340,452,240</u>	<u>\$ 215,197,175</u>

At December 31, 2016 and 2015, the Foundation had unfunded commitments of \$965,500 and \$1,095,500, 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 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:

	2016	2015
Private equity investments	\$ 27,182,198	\$ 23,618,709
Venture capital and private equity funds	11,324,644	12,481,175
Debt and convertible notes	11,188,320	3,250,000
Public equity	<u>-</u>	<u>415,798</u>
Total program and mission related investments	<u>\$ 49,695,162</u>	<u>\$ 39,765,682</u>

As of December 31, 2016 and 2015, the Foundation had unfunded commitments of \$8,506,662 and \$4,880,611, 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.
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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, 2016 (as described above):

	Assets at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	NAV	Total
Convertible securities	\$ -	\$ 49,630,190	\$ -	\$ -	\$ 49,630,190
Public equity securities	165,971,667	-	-	-	165,971,667
Fixed income securities	-	36,716,919	-	-	36,716,919
Private equity, venture capital and hedge funds	-	71,223,344	-	16,910,120	88,133,464
PRI and MRI - private equity	-	-	27,182,198	-	27,182,198
PRI and MRI - private equity funds and venture capital funds	-	-	-	11,324,644	11,324,644
PRI and MRI - private debt and convertible notes	-	-	11,188,320	-	11,188,320
	<u>\$ 165,971,667</u>	<u>\$ 157,570,453</u>	<u>\$ 38,370,518</u>	<u>\$ 28,234,764</u>	<u>\$ 390,147,402</u>

There were no transfers of assets between levels of the fair value hierarchy in 2016.

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	NAV	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>\$ 26,868,709</u>	<u>\$ 31,713,660</u>	<u>\$ 254,962,857</u>

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

Omidyar Network Fund, Inc.
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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, 2016 (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, 2015	\$ 23,618,709	\$ 3,250,000	\$ 26,868,709
Purchases	6,218,613	7,157,270	13,375,883
Sales and distributions	-	-	-
Gains/(Losses)			
Realized	(1,997,311)	-	(1,997,311)
Unrealized	(657,813)	781,050	123,237
Balance at December 31, 2016	<u>\$ 27,182,198</u>	<u>\$ 11,188,320</u>	<u>\$ 38,370,518</u>

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 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.

	PRI and MRI - Private Equity	PRI and MRI - Private Debt and Convertible Note	Total
Balance at December 31, 2014	\$ 22,507,979	\$ 2,000,000	\$ 24,507,979
Purchases	2,334,686	1,250,000	3,584,686
Sales and distributions	-	-	-
Gains/(Losses)			
Realized	-	-	-
Unrealized	(1,223,956)	-	(1,223,956)
Balance at December 31, 2015	<u>\$ 23,618,709</u>	<u>\$ 3,250,000</u>	<u>\$ 26,868,709</u>

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.

Omidyar Network Fund, Inc.
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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, 2016.

Direct Private Equity Investment	Fair Value	Valuation Technique(s)	Unobservable Input	Assumptions or Range
Education	\$ 9,206,955	Option pricing model	Expected volatility	48.1% - 65.3%
			Time to exit (years)	2.0 - 3.0
Emerging market entrepreneurship	2,395,458	Market comparable	Book value multiple	2.5x
		Option pricing model	Expected volatility	75.5%
			Time to exit (years)	4.0
			Discount for lack of marketability	20.0%
Financial inclusion	7,637,833	Option pricing model	Expected volatility	51.4%
			Time to exit (years)	3.0

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, 2015.

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

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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, 2016:

	Number of funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions in Place at Year End
(a) Hedge funds - equity strategies	3	\$ 35,779,792	\$ -	Ranges from monthly redemption with 35 days' notice to annual redemption with 90 days' notice	None
(b) Hedge funds - diversified	1	17,799,448	-	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	16,910,120	965,500	Not redeemable	N/A
(d) Hedge funds - debt strategies	2	17,644,101	-	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	11,324,644	3,307,246	Not redeemable	N/A
	<u>18</u>	<u>\$ 99,458,105</u>	<u>\$ 4,272,746</u>		

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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>		

- 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 \$52,558,990 and \$184,703,245 to the Foundation in 2016 and 2015, respectively.

During 2016 and 2015, 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, 2016 and 2015 totaled \$28,291,405 and \$22,750,161, respectively. In addition, other affiliated entities and related parties provided in-kind services related to investment management and travel of \$171,434 during 2016 and \$158,472 during 2015 to the Foundation.

7. Grants and Support

Grant expenses for December 31, 2016 are as follows:

	2016	2015
Grant payments	\$ 62,935,709	\$ 55,214,611
Less: Amounts committed in previous years and paid	(3,972,108)	(3,091,265)
Future payments committed in the current year on unconditional grants	12,784,149	3,569,999
Refunded grants paid in previous year	<u>(2,151,289)</u>	<u>(161,404)</u>
Grant expenses	<u>\$ 69,596,461</u>	<u>\$ 55,531,941</u>

Payables related to unconditional grants are due as follows: \$12,105,564 due in 2017 and \$3,955,000 in 2018. All grants payable are recorded at face value, which, as of December 31, 2016 and December 31, 2015, was immaterially different from present value.

As of December 31, 2016 and 2015, the Foundation had unfunded commitments of \$77,404,353 and \$61,081,218, 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, 2016, 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, 2016, the face amount of the deposit 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 2% excise rate for 2016 and 1% for 2015. At December 31, 2016 and 2015, 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, 2016 and 2015, the unrelated business income provided by investments was immaterial.

The expenses for federal excise tax are as follows:

	2016	2015
Current	\$ 1,217,435	\$ 1,897,864
Deferred	<u>367,178</u>	<u>91,980</u>
Federal excise tax expenses	<u>\$ 1,584,613</u>	<u>\$ 1,989,844</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, 2016 through April 28, 2017, 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.