

THE CLEAR FUND  
D.B.A. GIVEWELL

DECEMBER 31, 2016



REPORT

TO

THE AUDIT COMMITTEE



August 18, 2017

TO THE AUDIT COMMITTEE  
THE CLEAR FUND d.b.a. GIVEWELL  
San Francisco, California

We are pleased to present this report related to our audit of the financial statements of **THE CLEAR FUND d.b.a. GIVEWELL (Givewell)** for the year ended December 31, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for GiveWell's financial reporting process.

This report is intended solely for the information and use of the Audit Committee, Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciated the opportunity to be of service to GiveWell.

*Hood & Strong LLP*

# **The Clear Fund d.b.a GiveWell**

## **REPORT TO THE AUDIT COMMITTEE**

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**Attachments:**

Letter Communicating Deficiencies in Internal Control

# The Clear Fund d.b.a GiveWell

## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities with Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated February 27, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit as an attachment to our arrangement letter.
<b>Accounting Policies and Practices</b>	<b>Preferability of Accounting Policies and Practices</b>  Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.  <b>Adoption of, or Change in, Accounting Policies</b>  Management has the ultimate responsibility for the appropriateness of the accounting policies used by GiveWell. GiveWell did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.
	<b>Significant or Unusual Transactions</b>  We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

# The Clear Fund d.b.a GiveWell

## Required Communications

Area	Comments
<b>Management's Judgments and Accounting Estimates</b>	<p>Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimate reflected in the Fund's December 31, 2016 financial statements:</p> <ul style="list-style-type: none"><li data-bbox="776 856 1419 1087">- Functional allocation of expenses – directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are allocated to programs and services based principally on the percentage of personnel time spent in each area or management's estimate of usage</li></ul> <p>GiveWell's processes for estimates appear reasonable and are consistent with industry practice and U.S. GAAP.</p>
<b>Audit Adjustments</b>	<p>There were no audit adjustments made to the original trial balance presented to us to begin our audit.</p>
<b>Uncorrected Misstatements</b>	<p>There was one uncorrected misstatement identified in our audit relating to the recognition of in-kind rental revenue and expense. The entry would have decreased revenue and expense by approximately \$152,000 to account for January 2017 rent and an amount attributed to the rental security deposit that were improperly included in revenue and expense for the year ending December 31, 2016.</p>
<b>Disagreements with Management</b>	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
<b>Consultations with Other Accountants</b>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>

# The Clear Fund d.b.a GiveWell

## Required Communications

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Area	Comments
<b>Significant Issues Discussed with Management</b>	No other significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any other difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	The only written communications between our Firm and management of GiveWell are the representation letter provided to us by management (available upon request) and a letter reporting control deficiencies (attached).



August 18, 2017

TO THE AUDIT COMMITTEE  
THE CLEAR FUND d.b.a. GiveWell  
San Francisco, California

In planning and performing our audit of the financial statements of **THE CLEAR FUND d.b.a. GIVEWELL (Givewell)** as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered GiveWell's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of GiveWell's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following are descriptions of an identified deficiency in internal control that we determined did not constitute a significant deficiency or material weakness:

### **Undeposited Funds Reconciliation**

#### *Observation*

We noted that GiveWell's utilizes an "undeposited funds" account within its chart of accounts. This account effectively functions as a clearing account for contributions not yet deposited into its bank accounts. We were provided an accounting of all the activity in this account for the year and performed testing that did not yield any errors (i.e. in our sample of contributions tested were verified that the selected items were deposited in GiveWell's accounts) but a detailed reconciliation of this account is not performed. Without a detailed reconciliation verifying that every contribution that flows through the undeposited fund account has been deposited, it's possible that errors could go undetected.

#### *Recommendation*

We recommend that GiveWell perform regular reconciliations for undeposited funds at the same frequency and approval process as the cash account reconciliations.

### **In-kind Rent Reconciliation**

#### *Observation*

We noted that the January 2017 and an amount attributed to the rental deposit were incorrectly included in rental revenue and expense for the year ending December 31, 2016.

#### *Recommendation*

We recommend that GiveWell perform an annual reconciliation between general ledger and the contractual amount of donated rent from the underlying rental agreement.

### **Accrued Vacation**

#### *Observation*

We noted that GiveWell has not recorded a liability for its accrued vacation expense. The amount as of December 31, 2016, was considered immaterial.

#### *Recommendation*

We recommend that GiveWell make an adjustment to bring the accrued vacation onto its books before the liability grows to a material amount.

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### **Functional Expense Presentation**

#### *Observation*

We noted that GiveWell has included a line item on its functional expense called “donated goods and services”. The functional expense presentation should only include natural expense classifications such as rent or advertising.

#### *Recommendation*

We recommend that GiveWell begin to record its in-kind expenses in a manner that allows for these expenses to easily be presented into their respective natural expense categories.

This letter is intended solely for the information and use of management and GiveWell’s Audit Committee and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving GiveWell and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

*Hood & Strong LLP*