

**Part VIII Your Specific Activities (Continued)**

- 11** Do you or will you accept contributions of: real property; conservation easements; closely held securities; intellectual property such as patents, trademarks, and copyrights; works of music or art; licenses; royalties; automobiles, boats, planes, or other vehicles; or collectibles of any type? If "Yes," describe each type of contribution, any conditions imposed by the donor on the contribution, and any agreements with the donor regarding the contribution. ☐ Yes ☒ No
- 
- 12a** Do you or will you operate in a **foreign country** or **countries**? If "Yes," answer lines 12b through 12d. If "No," go to line 13a. ☒ Yes ☐ No
- b** Name the foreign countries and regions within the countries in which you operate.
- c** Describe your operations in each country and region in which you operate.
- d** Describe how your operations in each country and region further your exempt purposes.
- 
- 13a** Do you or will you make grants, loans, or other distributions to organization(s)? If "Yes," answer lines 13b through 13g. If "No," go to line 14a. ☒ Yes ☐ No
- b** Describe how your grants, loans, or other distributions to organizations further your exempt purposes.
- c** Do you have written contracts with each of these organizations? If "Yes," attach a copy of each contract. ☐ Yes ☒ No
- d** Identify each recipient organization and any **relationship** between you and the recipient organization.
- e** Describe the records you keep with respect to the grants, loans, or other distributions you make.
- f** Describe your selection process, including whether you do any of the following:
- (i)** Do you require an application form? If "Yes," attach a copy of the form. ☐ Yes ☒ No
- (ii)** Do you require a grant proposal? If "Yes," describe whether the grant proposal specifies your responsibilities and those of the grantee, obligates the grantee to use the grant funds only for the purposes for which the grant was made, provides for periodic written reports concerning the use of grant funds, requires a final written report and an accounting of how grant funds were used, and acknowledges your authority to withhold and/or recover grant funds in case such funds are, or appear to be, misused. ☐ Yes ☒ No
- g** Describe your procedures for oversight of distributions that assure you the resources are used to further your exempt purposes, including whether you require periodic and final reports on the use of resources.
- 
- 14a** Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," answer lines 14b through 14f. If "No," go to line 15. ☐ Yes ☒ No
- b** Provide the name of each foreign organization, the country and regions within a country in which each foreign organization operates, and describe any relationship you have with each foreign organization.
- c** Does any foreign organization listed in line 14b accept contributions earmarked for a specific country or specific organization? If "Yes," list all earmarked organizations or countries. ☐ Yes ☒ No
- d** Do your contributors know that you have ultimate authority to use contributions made to you at your discretion for purposes consistent with your exempt purposes? If "Yes," describe how you relay this information to contributors. ☐ Yes ☒ No
- e** Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. ☐ Yes ☒ No
- f** Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including site visits by your employees or compliance checks by impartial experts, to verify that grant funds are being used appropriately. ☐ Yes ☒ No

# Form 1023 Checklist

(Revised October 2004)

## Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code

**Note.** Retain a copy of the completed Form 1023 in your permanent records. Refer to the General Instructions regarding Public Inspection of approved applications.

**Check each box to finish your application (Form 1023). Send this completed Checklist with your filled-in application. If you have not answered all the items below, your application may be returned to you as incomplete.**

- ☒ Assemble the application and materials in this order:
- Form 1023 Checklist
  - Form 2848, *Power of Attorney and Declaration of Representative* (if filing)
  - Form 8821, *Tax Information Authorization* (if filing)
  - Expedite request (if requesting)
  - Application (Form 1023 and Schedules A through H, as required)
  - Articles of organization
  - Amendments to articles of organization in chronological order
  - Bylaws or other rules of operation and amendments
  - Documentation of nondiscriminatory policy for schools, as required by Schedule B
  - Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation* (if filing)
  - All other attachments, including explanations, financial data, and printed materials or publications. Label each page with name and EIN.
- ☒ User fee payment placed in envelope on top of checklist. DO NOT STAPLE or otherwise attach your check or money order to your application. Instead, just place it in the envelope.
- ☒ Employer Identification Number (EIN)
- ☒ Completed Parts I through XI of the application, including any requested information and any required Schedules A through H.
- You must provide specific details about your past, present, and planned activities.
  - Generalizations or failure to answer questions in the Form 1023 application will prevent us from recognizing you as tax exempt.
  - Describe your purposes and proposed activities in specific easily understood terms.
  - Financial information should correspond with proposed activities.
- ☒ Schedules. Submit only those schedules that apply to you and check either "Yes" or "No" below.
- |            |  |            |  |
|------------|--|------------|--|
| Schedule A | Yes ___ No <input checked="" type="checkbox"/> | Schedule E | Yes ___ No <input checked="" type="checkbox"/> |
| Schedule B | Yes ___ No <input checked="" type="checkbox"/> | Schedule F | Yes ___ No <input checked="" type="checkbox"/> |
| Schedule C | Yes ___ No <input checked="" type="checkbox"/> | Schedule G | Yes ___ No <input checked="" type="checkbox"/> |
| Schedule D | Yes ___ No <input checked="" type="checkbox"/> | Schedule H | Yes ___ No <input checked="" type="checkbox"/> |



- ☒ An exact copy of your complete articles of organization (creating document). Absence of the proper purpose and dissolution clauses is the number one reason for delays in the issuance of determination letters.
- Location of Purpose Clause from Part III, line 1 (Page, Article and Paragraph Number) P. 1, Art. II, Para. 1
  - Location of Dissolution Clause from Part III, line 2b or 2c (Page, Article and Paragraph Number) or by operation of state law P.2, Art. V, Para. 1
- ☒ Signature of an officer, director, trustee, or other official who is authorized to sign the application.
- Signature at Part XI of Form 1023.
- ☒ Your name on the application must be the same as your legal name as it appears in your articles of organization.

Send completed Form 1023, user fee payment, and all other required information, to:

Internal Revenue Service  
P.O. Box 192  
Covington, KY 41012-0192

If you are using express mail or a delivery service, send Form 1023, user fee payment, and attachments to:

Internal Revenue Service  
201 West Rivercenter Blvd.  
Attn: Extracting Stop 312  
Covington, KY 41011

**Application for Recognition of Exemption  
Under Section 501(c)(3) of the Internal Revenue Code**

OME No. 1545-0056

**Note:** If exempt status is approved, this application will be open for public inspection.

Use the instructions to complete this application and for a definition of all **bold** items. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. Visit our website at [www.irs.gov](http://www.irs.gov) for forms and publications. If the required information and documents are not submitted with payment of the appropriate user fee, the application may be returned to you.

Attach additional sheets to this application if you need more space to answer fully. Put your name and EIN on each sheet and identify each answer by Part and line number. Complete Parts I - XI of Form 1023 and submit only those Schedules (A through H) that apply to you.

**Part I Identification of Applicant**

|  |  |  |   |
|--|--|--|---|
| <b>1</b> Full name of organization (exactly as it appears in your organizing document)<br><br>KIVA Microfunds  |  | <b>2</b> c/o Name (if applicable)<br><br>                      |   |
| <b>3</b> Mailing address (Number and street) (see instructions)<br><br>25 Las Piedras Court  |  | Room/Suite<br><br>   | <b>4</b> Employer Identification Number (EIN)<br><br>71-0992446             |
| City or town, state or country, and ZIP + 4<br><br>Portola Valley, CA 94028  |  |  | <b>5</b> Month the annual accounting period ends (01 - 12)<br><br>September |
| <b>6</b> Primary contact (officer, director, trustee, or authorized representative)<br><b>a</b> Name:<br><br>Matt Flannery, President  |  | <b>b</b> Phone: (650) 281-9005<br><br><b>c</b> Fax: (optional) |   |
| <b>7</b> Are you represented by an authorized representative, such as an attorney or accountant? If "Yes," provide the authorized representative's name, and the name and address of the authorized representative's firm. Include a completed Form 2848, <i>Power of Attorney and Declaration of Representative</i> , with your application if you would like us to communicate with your representative. <span style="float: right;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</span>  |  |  |   |
| <b>8</b> Was a person who is not one of your officers, directors, trustees, employees, or an authorized representative listed in line 7, paid, or promised payment, to help plan, manage, or advise you about the structure or activities of your organization, or about your financial or tax matters? If "Yes," provide the person's name, the name and address of the person's firm, the amounts paid or promised to be paid, and describe that person's role. <span style="float: right;"><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</span> |  |  |   |
| <b>9a</b> Organization's website: <a href="http://www.KIVA.org">www.KIVA.org</a><br><b>b</b> Organization's email: (optional) <a href="mailto:staff@KIVA.org">staff@KIVA.org</a>   |  |  |   |
| <b>10</b> Certain organizations are not required to file an information return (Form 990 or Form 990-EZ). If you are granted tax-exemption, are you claiming to be excused from filing Form 990 or Form 990-EZ? If "Yes," explain. See the instructions for a description of organizations not required to file Form 990 or Form 990-EZ. <span style="float: right;"><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</span>  |  |  |   |
| <b>11</b> Date incorporated if a corporation, or formed, if other than a corporation. (MM/DD/YYYY)   |  |  | 11 / 03 / 2005  |
| <b>12</b> Were you formed under the laws of a foreign country?<br>If "Yes," state the country.   |  |  | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No         |



**Part II Organizational Structure**

You must be a corporation (including a limited liability company), an unincorporated association, or a trust to be tax exempt. (See instructions.) **DO NOT file this form unless you can check "Yes" on lines 1, 2, 3, or 4.**

- 1 Are you a **corporation**? If "Yes," attach a copy of your articles of incorporation showing **certification of filing** with the appropriate state agency. Include copies of any amendments to your articles and be sure they also show state filing certification. **SEE EXHIBIT A** ☒ Yes ☐ No
- 2 Are you a **limited liability company (LLC)**? If "Yes," attach a copy of your articles of organization showing certification of filing with the appropriate state agency. Also, if you adopted an operating agreement, attach a copy. Include copies of any amendments to your articles and be sure they show state filing certification. Refer to the instructions for circumstances when an LLC should not file its own exemption application. ☐ Yes ☒ No
- 3 Are you an **unincorporated association**? If "Yes," attach a copy of your articles of association, constitution, or other similar organizing document that is dated and includes at least two signatures. Include signed and dated copies of any amendments. ☐ Yes ☒ No
- 4a Are you a **trust**? If "Yes," attach a signed and dated copy of your trust agreement. Include signed and dated copies of any amendments. ☐ Yes ☒ No
- b Have you been funded? If "No," explain how you are formed without anything of value placed in trust. ☐ Yes ☒ No
- 5 Have you adopted **bylaws**? If "Yes," attach a current copy showing date of adoption. If "No," explain how your officers, directors, or trustees are selected. **SEE EXHIBIT B** ☒ Yes ☐ No

**Part III Required Provisions in Your Organizing Document**

The following questions are designed to ensure that when you file this application, your organizing document contains the required provisions to meet the organizational test under section 501(c)(3). Unless you can check the boxes in both lines 1 and 2, your organizing document does not meet the organizational test. **DO NOT file this application until you have amended your organizing document**. Submit your original and amended organizing documents (showing state filing certification if you are a corporation or an LLC) with your application.

- 1 Section 501(c)(3) requires that your organizing document state your exempt purpose(s), such as charitable, religious, educational, and/or scientific purposes. Check the box to confirm that your organizing document meets this requirement. Describe specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document. Refer to the instructions for exempt purpose language. Location of Purpose Clause (Page, Article, and Paragraph): Page 1, Art. II, Para. 1 ☒
- 2a Section 501(c)(3) requires that upon dissolution of your organization, your remaining assets must be used exclusively for exempt purposes, such as charitable, religious, educational, and/or scientific purposes. Check the box on line 2a to confirm that your organizing document meets this requirement by express provision for the distribution of assets upon dissolution. If you rely on state law for your dissolution provision, do not check the box on line 2a and go to line 2c. ☒
- 2b If you checked the box on line 2a, specify the location of your dissolution clause (Page, Article, and Paragraph). Do not complete line 2c if you checked box 2a. Page 2, Art. V, Para. 1
- 2c See the instructions for information about the operation of state law in your particular state. Check this box if you rely on operation of state law for your dissolution provision and indicate the state: ☐

**Part IV Narrative Description of Your Activities**

Using an attachment, describe your *past*, *present*, and *planned* activities in a narrative. If you believe that you have already provided some of this information in response to other parts of this application, you may summarize that information here and refer to the specific parts of the application for supporting details. You may also attach representative copies of newsletters, brochures, or similar documents for supporting details to this narrative. Remember that if this application is approved, it will be open for public inspection. Therefore, your narrative description of activities should be thorough and accurate. Refer to the instructions for information that must be included in your description.

**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors**

- 1a List the names, titles, and mailing addresses of all of your officers, directors, and trustees. For each person listed, state their total annual **compensation**, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Enter "none" if no compensation is or will be paid. If additional space is needed, attach a separate sheet. Refer to the instructions for information on what to include as compensation.

| Name                     | Title | Mailing address | Compensation amount<br>(annual actual or estimated) |
|--------------------------|-------|-----------------|---|
| See Attachment: <b>B</b> |       |                 |   |
|                          |       |                 |   |
|                          |       |                 |   |
|                          |       |                 |   |
|                          |       |                 |   |



**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)**

- b** List the names, titles, and mailing addresses of each of your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation. Do not include officers, directors, or trustees listed in line 1a.

| Name | Title | Mailing address | Compensation amount<br>(annual actual or estimated) |
|------|-------|-----------------|---|
| N/A  |       |                 |   |
|      |       |                 |   |
|      |       |                 |   |
|      |       |                 |   |
|      |       |                 |   |

- c** List the names, names of businesses, and mailing addresses of your five highest compensated independent contractors that receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation.

| Name | Title | Mailing address | Compensation amount<br>(annual actual or estimated) |
|------|-------|-----------------|---|
| N/A  |       |                 |   |
|      |       |                 |   |
|      |       |                 |   |
|      |       |                 |   |
|      |       |                 |   |

The following "Yes" or "No" questions relate to *past, present, or planned* relationships, transactions, or agreements with your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, and 1c.

- 2a** Are any of your officers, directors, or trustees related to each other through family or business relationships? If "Yes," identify the individuals and explain the relationship. ☒ Yes ☐ No

- b** Do you have a business relationship with any of your officers, directors, or trustees other than through their position as an officer, director, or trustee? If "Yes," identify the individuals and describe the business relationship with each of your officers, directors, or trustees. ☐ Yes ☒ No

- c** Are any of your officers, directors, or trustees related to your highest compensated employees or highest compensated independent contractors listed on lines 1b or 1c through family or business relationships? If "Yes," identify the individuals and explain the relationship. ☐ Yes ☒ No

- 3a** For each of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c, attach a list showing their name, qualifications, average hours worked, and duties.

- b** Do any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c receive compensation from any other organizations, whether tax exempt or taxable, that are related to you through common control? If "Yes," identify the individuals, explain the relationship between you and the other organization, and describe the compensation arrangement. ☐ Yes ☒ No

- 4** In establishing the compensation for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, and 1c, the following practices are recommended, although they are not required to obtain exemption. Answer "Yes" to all the practices you use.

- a** Do you or will the individuals that approve compensation arrangements follow a conflict of interest policy? ☒ Yes ☐ No
- b** Do you or will you approve compensation arrangements in advance of paying compensation? ☒ Yes ☐ No
- c** Do you or will you document in writing the date and terms of approved compensation arrangements? ☒ Yes ☐ No



**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)**

- d Do you or will you record in writing the decision made by each individual who decided or voted on compensation arrangements? ☒ Yes ☐ No
- e Do you or will you approve compensation arrangements based on information about compensation paid by **similarly situated** taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations? Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☒ Yes ☐ No
- f Do you or will you record in writing both the information on which you relied to base your decision and its source? ☒ Yes ☐ No
- g If you answered "No" to any item on lines 4a through 4f, describe how you set compensation that is **reasonable** for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c.
- 
- 5a Have you adopted a **conflict of interest policy** consistent with the sample conflict of interest policy in Appendix A to the instructions? If "Yes," provide a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," answer lines 5b and 5c. ☒ Yes ☐ No
- b What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you for setting their own compensation?
- c What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you regarding business deals with themselves?
- Note:** A conflict of interest policy is recommended though it is not required to obtain exemption. Hospitals, see Schedule C, Section I, line 14.
- SEE EXHIBIT C**
- 
- 6a Do you or will you compensate any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, or 1c through **non-fixed payments**, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are determined, who is eligible for such arrangements, whether you place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☒ No
- b Do you or will you compensate any of your employees, other than your officers, directors, trustees, or your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year, through non-fixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are or will be determined, who is or will be eligible for such arrangements, whether you place or will place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☒ No
- 
- 7a Do you or will you purchase any goods, services, or assets from any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such purchase that you made or intend to make, from whom you make or will make such purchases, how the terms are or will be negotiated at **arm's length**, and explain how you determine or will determine that you pay no more than **fair market value**. Attach copies of any written contracts or other agreements relating to such purchases. ☐ Yes ☒ No
- b Do you or will you sell any goods, services, or assets to any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such sales that you made or intend to make, to whom you make or will make such sales, how the terms are or will be negotiated at **arm's length**, and explain how you determine or will determine you are or will be paid at least fair market value. Attach copies of any written contracts or other agreements relating to such sales. ☐ Yes ☒ No
- 
- 8a Do you or will you have any leases, contracts, loans, or other agreements with your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," provide the information requested in lines 8b through 8f. ☐ Yes ☒ No
- b Describe any written or oral arrangements that you made or intend to make.
- c Identify with whom you have or will have such arrangements.
- d Explain how the terms are or will be negotiated at **arm's length**.
- e Explain how you determine you pay no more than fair market value or you are paid at least fair market value.
- f Attach copies of any signed leases, contracts, loans, or other agreements relating to such arrangements.
- 
- 9a Do you or will you have any leases, contracts, loans, or other agreements with any organization in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest? If "Yes," provide the information requested in lines 9b through 9f. ☐ Yes ☒ No



**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)**

- b Describe any written or oral arrangements you made or intend to make.
- c Identify with whom you have or will have such arrangements.
- d Explain how the terms are or will be negotiated at arm's length.
- e Explain how you determine or will determine you pay no more than fair market value or that you are paid at least fair market value.
- f Attach a copy of any signed leases, contracts, loans, or other agreements relating to such arrangements.

**Part VI Your Members and Other Individuals and Organizations That Receive Benefits From You**

The following "Yes" or "No" questions relate to goods, services, and funds you provide to individuals and organizations as part of your activities. Your answers should pertain to *past, present, and planned* activities. (See instructions.)

- 1a In carrying out your exempt purposes, do you provide goods, services, or funds to individuals? If "Yes," describe each program that provides goods, services, or funds to individuals. ☐ Yes ☒ No
- b In carrying out your exempt purposes, do you provide goods, services, or funds to organizations? If "Yes," describe each program that provides goods, services, or funds to organizations. See Attachment B ☒ Yes ☐ No
- 2 Do any of your programs limit the provision of goods, services, or funds to a specific individual or group of specific individuals? For example, answer "Yes," if goods, services, or funds are provided only for a particular individual, your members, individuals who work for a particular employer, or graduates of a particular school. If "Yes," explain the limitation and how recipients are selected for each program. See Attachment B ☒ Yes ☐ No
- 3 Do any individuals who receive goods, services, or funds through your programs have a family or business relationship with any officer, director, trustee, or with any of your highest compensated employees or highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c? If "Yes," explain how these related individuals are eligible for goods, services, or funds. ☐ Yes ☒ No

**Part VII Your History**

The following "Yes" or "No" questions relate to your history. (See instructions.)

- 1 Are you a **successor** to another organization? Answer "Yes," if you have taken or will take over the activities of another organization; you took over 25% or more of the fair market value of the net assets of another organization; or you were established upon the conversion of an organization from for-profit to non-profit status. If "Yes," complete Schedule G. ☐ Yes ☒ No
- 2 Are you submitting this application more than 27 months after the end of the month in which you were legally formed? If "Yes," complete Schedule E. ☐ Yes ☒ No

**Part VIII Your Specific Activities**

The following "Yes" or "No" questions relate to specific activities that you may conduct. Check the appropriate box. Your answers should pertain to *past, present, and planned* activities. (See instructions.)

- 1 Do you support or oppose candidates in **political campaigns** in any way? If "Yes," explain. ☐ Yes ☒ No
- 2a Do you attempt to **influence legislation**? If "Yes," explain how you attempt to influence legislation and complete line 2b. If "No," go to line 3a. ☐ Yes ☒ No
- b Have you made or are you making an **election** to have your legislative activities measured by expenditures by filing Form 5768? If "Yes," attach a copy of the Form 5768 that was already filed or attach a completed Form 5768 that you are filing with this application. If "No," describe whether your attempts to influence legislation are a substantial part of your activities. Include the time and money spent on your attempts to influence legislation as compared to your total activities. ☐ Yes ☒ No
- 3a Do you or will you operate bingo or **gaming** activities? If "Yes," describe who conducts them, and list all revenue received or expected to be received and expenses paid or expected to be paid in operating these activities. **Revenue and expenses** should be provided for the time periods specified in Part IX, Financial Data. ☐ Yes ☒ No
- b Do you or will you enter into contracts or other agreements with individuals or organizations to conduct bingo or gaming for you? If "Yes," describe any written or oral arrangements that you made or intend to make, identify with whom you have or will have such arrangements, explain how the terms are or will be negotiated at arm's length, and explain how you determine or will determine you pay no more than fair market value or you will be paid at least fair market value. Attach copies or any written contracts or other agreements relating to such arrangements. ☐ Yes ☒ No
- c List the states and local jurisdictions, including Indian Reservations, in which you conduct or will conduct gaming or bingo.



**Part VIII Your Specific Activities (Continued)**

- 4a** Do you or will you undertake **fundraising**? If "Yes," check all the fundraising programs you do or will conduct. (See instructions.) ☒ Yes ☐ No
- |   |  |
|---|--|
| <input type="checkbox"/> mail solicitations                         | <input type="checkbox"/> phone solicitations                                   |
| <input checked="" type="checkbox"/> email solicitations             | <input checked="" type="checkbox"/> accept donations on your website           |
| <input checked="" type="checkbox"/> personal solicitations          | <input type="checkbox"/> receive donations from another organization's website |
| <input type="checkbox"/> vehicle, boat, plane, or similar donations | <input type="checkbox"/> government grant solicitations                        |
| <input checked="" type="checkbox"/> foundation grant solicitations  | <input type="checkbox"/> Other   |
- Attach a description of each fundraising program.
- b** Do you or will you have written or oral contracts with any individuals or organizations to raise funds for you? If "Yes," describe these activities. Include all revenue and expenses from these activities and state who conducts them. Revenue and expenses should be provided for the time periods specified in Part IX, Financial Data. Also, attach a copy of any contracts or agreements. ☐ Yes ☒ No
- c** Do you or will you engage in fundraising activities for other organizations? If "Yes," describe these arrangements. Include a description of the organizations for which you raise funds and attach copies of all contracts or agreements. ☐ Yes ☒ No
- d** List all states and local jurisdictions in which you conduct fundraising. For each state or local jurisdiction listed, specify whether you fundraise for your own organization, you fundraise for another organization, or another organization fundraises for you.
- e** Do you or will you maintain separate accounts for any contributor under which the contributor has the right to advise on the use or distribution of funds? Answer "Yes" if the donor may provide advice on the types of investments, distributions from the types of investments, or the distribution from the donor's contribution account. If "Yes," describe this program, including the type of advice that may be provided and submit copies of any written materials provided to donors. See Exhibit D. ☒ Yes ☐ No
- 
- 5** Are you **affiliated** with a governmental unit? If "Yes," explain. ☐ Yes ☒ No
- 
- 6a** Do you or will you engage in **economic development**? If "Yes," describe your program. ☒ Yes ☐ No
- b** Describe in full who benefits from your economic development activities and how the activities promote exempt purposes.
- 
- 7a** Do or will persons other than your employees or volunteers **develop** your facilities? If "Yes," describe each facility, the role of the developer, and any business or family relationship(s) between the developer and your officers, directors, or trustees. ☐ Yes ☒ No
- b** Do or will persons other than your employees or volunteers **manage** your activities or facilities? If "Yes," describe each activity and facility, the role of the manager, and any business or family relationship(s) between the manager and your officers, directors, or trustees. ☐ Yes ☒ No
- c** If there is a business or family relationship between any manager or developer and your officers, directors, or trustees, identify the individuals, explain the relationship, describe how contracts are negotiated at arm's length so that you pay no more than fair market value, and submit a copy of any contracts or other agreements.
- 
- 8** Do you or will you enter into **joint ventures**, including partnerships or **limited liability companies** treated as partnerships, in which you share profits and losses with partners other than section 501(c)(3) organizations? If "Yes," describe the activities of these joint ventures in which you participate. ☐ Yes ☒ No
- 
- 9a** Are you applying for exemption as a childcare organization under section 501(k)? If "Yes," answer lines 9b through 9d. If "No," go to line 10. ☐ Yes ☒ No
- b** Do you provide child care so that parents or caretakers of children you care for can be **gainfully employed** (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ Yes ☒ No
- c** Of the children for whom you provide child care, are 85% or more of them cared for by you to enable their parents or caretakers to be gainfully employed (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ Yes ☒ No
- d** Are your services available to the general public? If "No," describe the specific group of people for whom your activities are available. Also, see the instructions and explain how you qualify as a childcare organization described in section 501(k). ☐ Yes ☒ No
- 
- 10** Do you or will you publish, own, or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other **intellectual property**? If "Yes," explain. Describe who owns or will own any copyrights, patents, or trademarks, whether fees are or will be charged, how the fees are determined, and how any items are or will be produced, distributed, and marketed. ☒ Yes ☐ No



**Part VIII Your Specific Activities (Continued)**

- 11** Do you or will you accept contributions of: real property; conservation easements; closely held securities; intellectual property such as patents, trademarks, and copyrights; works of music or art; licenses; royalties; automobiles, boats, planes, or other vehicles; or collectibles of any type? If "Yes," describe each type of contribution, any conditions imposed by the donor on the contribution, and any agreements with the donor regarding the contribution. ☐ Yes ☒ No
- 
- 12a** Do you or will you operate in a **foreign country** or **countries**? If "Yes," answer lines 12b through 12d. If "No," go to line 13a. ☒ Yes ☐ No
- b** Name the foreign countries and regions within the countries in which you operate.
- c** Describe your operations in each country and region in which you operate.
- d** Describe how your operations in each country and region further your exempt purposes.
- 
- 13a** Do you or will you make grants, loans, or other distributions to organization(s)? If "Yes," answer lines 13b through 13g. If "No," go to line 14a. ☒ Yes ☐ No
- b** Describe how your grants, loans, or other distributions to organizations further your exempt purposes.
- c** Do you have written contracts with each of these organizations? If "Yes," attach a copy of each contract. ☐ Yes ☒ No
- d** Identify each recipient organization and any **relationship** between you and the recipient organization.
- e** Describe the records you keep with respect to the grants, loans, or other distributions you make.
- f** Describe your selection process, including whether you do any of the following:
- (i)** Do you require an application form? If "Yes," attach a copy of the form. ☐ Yes ☒ No
- (ii)** Do you require a grant proposal? If "Yes," describe whether the grant proposal specifies your responsibilities and those of the grantee, obligates the grantee to use the grant funds only for the purposes for which the grant was made, provides for periodic written reports concerning the use of grant funds, requires a final written report and an accounting of how grant funds were used, and acknowledges your authority to withhold and/or recover grant funds in case such funds are, or appear to be, misused. ☐ Yes ☒ No
- g** Describe your procedures for oversight of distributions that assure you the resources are used to further your exempt purposes, including whether you require periodic and final reports on the use of resources.
- 
- 14a** Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," answer lines 14b through 14f. If "No," go to line 15. ☐ Yes ☒ No
- b** Provide the name of each foreign organization, the country and regions within a country in which each foreign organization operates, and describe any relationship you have with each foreign organization.
- c** Does any foreign organization listed in line 14b accept contributions earmarked for a specific country or specific organization? If "Yes," list all earmarked organizations or countries. ☐ Yes ☒ No
- d** Do your contributors know that you have ultimate authority to use contributions made to you at your discretion for purposes consistent with your exempt purposes? If "Yes," describe how you relay this information to contributors. ☐ Yes ☒ No
- e** Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. ☐ Yes ☒ No
- f** Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including site visits by your employees or compliance checks by impartial experts, to verify that grant funds are being used appropriately. ☐ Yes ☒ No



**Part VIII Your Specific Activities (Continued)**

- 15 Do you have a **close connection** with any organizations? If "Yes," explain. ☒ Yes ☐ No
- 16 Are you applying for exemption as a **cooperative hospital service organization** under section 501(e)? If "Yes," explain. ☐ Yes ☒ No
- 17 Are you applying for exemption as a **cooperative service organization of operating educational organizations** under section 501(f)? If "Yes," explain. ☐ Yes ☒ No
- 18 Are you applying for exemption as a **charitable risk pool** under section 501(n)? If "Yes," explain. ☐ Yes ☒ No
- 19 Do you or will you operate a **school**? If "Yes," complete Schedule B. Answer "Yes," whether you operate a school as your main function or as a secondary activity. ☐ Yes ☒ No
- 20 Is your main function to provide **hospital or medical care**? If "Yes," complete Schedule C. ☐ Yes ☒ No
- 21 Do you or will you provide **low-income housing** or housing for the **elderly** or **handicapped**? If "Yes," complete Schedule F. ☐ Yes ☒ No
- 22 Do you or will you provide scholarships, fellowships, educational loans, or other educational grants to individuals, including grants for travel, study, or other similar purposes? If "Yes," complete Schedule H. ☐ Yes ☒ No

**Note:** Private foundations may use Schedule H to request advance approval of individual grant procedures.



**Part IX Financial Data**

For purposes of this schedule, years in existence refer to completed tax years. If in existence 4 or more years, complete the schedule for the most recent 4 tax years. If in existence more than 1 year but less than 4 years, complete the statements for each year in existence and provide projections of your likely revenues and expenses based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. If in existence less than 1 year, provide projections of your likely revenues and expenses for the current year and the 2 following years, based on a reasonable and good faith estimate of your future finances for a total of 3 years of financial information. (See instructions.)

**A. Statement of Revenues and Expenses**

|          | Type of revenue or expense   | Current tax year                       | 3 prior tax years or 2 succeeding tax years |  |                            | (e) Provide Total for<br>(a) through (d) |
|----------|--|--|---|--|----------------------------|--|
|          |  | (a) From <u>2005</u><br>To <u>2006</u> | (b) From <u>2006</u><br>To <u>2007</u>      | (c) From <u>2007</u><br>To <u>2008</u> | (d) From _____<br>To _____ |  |
| Revenues | 1 Gifts, grants, and contributions received (do not include unusual grants)  | \$7,000                                | \$120,000                                   | \$200,000                              |                            |  |
|          | 2 Membership fees received   | 0                                      | 0   | 0                                      |                            |  |
|          | 3 Gross investment income  | 0                                      | 0   | 0                                      |                            |  |
|          | 4 Net unrelated business income  | 0                                      | 0   | 0                                      |                            |  |
|          | 5 Taxes levied for your benefit  | 0                                      | 0   | 0                                      |                            |  |
|          | 6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)             | 0                                      | 0   | 0                                      |                            |  |
|          | 7 Any revenue not otherwise listed above or in lines 9-12 below (attach an itemized list)  | \$19,000                               | \$150,000                                   | \$300,000                              |                            |  |
|          | 8 Total of lines 1 through 7   | \$26,000                               | \$270,000                                   | \$500,000                              |                            |  |
|          | 9 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list) | 0                                      | 0   | 0                                      |                            |  |
|          | 10 Total of lines 8 and 9  | \$26,000                               | \$270,000                                   | \$500,000                              |                            |  |
|          | 11 Net gain or loss on sale of capital assets (attach schedule and see instructions)   | 0                                      | 0   | 0                                      |                            |  |
|          | 12 Unusual grants  | 0                                      | 0   | 0                                      |                            |  |
|          | 13 Total Revenue<br>Add lines 10 through 12  | \$26,000                               | \$270,000                                   | \$500,000                              |                            |  |
| Expenses | 14 Fundraising expenses  | 0                                      | \$10,000                                    | \$10,000                               |                            |  |
|          | 15 Contributions, gifts, grants, and similar amounts paid out (attach an itemized list)  | 0                                      | 0   | 0                                      |                            |  |
|          | 16 Disbursements to or for the benefit of members (attach an itemized list)  | 0                                      | 0   | 0                                      |                            |  |
|          | 17 Compensation of officers, directors, and trustees   | \$6,000                                | \$100,000                                   | \$120,000                              |                            |  |
|          | 18 Other salaries and wages  | 0                                      | 0   | 0                                      |                            |  |
|          | 19 Interest expense  | 0                                      | 0   | 0                                      |                            |  |
|          | 20 Occupancy (rent, utilities, etc.)   | 0                                      | 0   | \$20,000                               |                            |  |
|          | 21 Depreciation and depletion  | 0                                      | 0   | 0                                      |                            |  |
|          | 22 Professional fees   | 0                                      | \$10,000                                    | \$10,000                               |                            |  |
|          | 23 Any expense not otherwise classified, such as program services (attach itemized list)   | \$19,000                               | \$15,000                                    | \$300,000                              | 0                          |  |
|          | 24 Total Expenses<br>Add lines 14 through 23   | \$25,000                               | \$270,000                                   | \$460,000                              |                            |  |



**Part IX Financial Data (Continued)****B. Balance Sheet (for your most recently completed tax year)**

Year End:

**Assets**

|    |   | (Whole dollars) |
|----|---|-----------------|
| 1  | Cash . . . . .  | 1 \$1,000       |
| 2  | Accounts receivable, net . . . . .                                    | 2 0             |
| 3  | Inventories . . . . .   | 3 0             |
| 4  | Bonds and notes receivable (attach an itemized list) . . . . .        | 4 0             |
| 5  | Corporate stocks (attach an itemized list) . . . . .                  | 5 0             |
| 6  | Loans receivable (attach an itemized list) . . . . .                  | 6 \$375         |
| 7  | Other investments (attach an itemized list) . . . . .                 | 7 0             |
| 8  | Depreciable and depletable assets (attach an itemized list) . . . . . | 8 0             |
| 9  | Land . . . . .  | 9 0             |
| 10 | Other assets (attach an itemized list) . . . . .                      | 10 0            |
| 11 | Total Assets (add lines 1 through 10) . . . . .                       | 11 \$1,375      |

**Liabilities**

|    |   |      |
|----|---|------|
| 12 | Accounts payable . . . . .                                      | 12 0 |
| 13 | Contributions, gifts, grants, etc. payable . . . . .            | 13 0 |
| 14 | Mortgages and notes payable (attach an itemized list) . . . . . | 14 0 |
| 15 | Other liabilities (attach an itemized list) . . . . .           | 15 0 |
| 16 | Total Liabilities (add lines 12 through 15) . . . . .           | 16 0 |

**Fund Balances or Net Assets**

|    |   |            |
|----|---|------------|
| 17 | Total fund balances or net assets . . . . .                                       | 17 \$1,375 |
| 18 | Total Liabilities and Fund Balances or Net Assets (add lines 16 and 17) . . . . . | 18 \$1,375 |

19 Have there been any substantial changes in your assets or liabilities since the end of the period shown above? If "Yes," explain. ☐ Yes ☒ No

**Part X Public Charity Status**

Part X is designed to classify you as an organization that is either a **private foundation** or a **public charity**. Public charity status is a more favorable tax status than private foundation status. If you are a private foundation, Part X is designed to further determine whether you are a **private operating foundation**. (See instructions.)

1a Are you a private foundation? If "Yes," go to line 1b. If "No," go to line 5 and proceed as instructed. If you are unsure, see the instructions. ☐ Yes ☒ No

b As a private foundation, section 508(e) requires special provisions in your organizing document in addition to those that apply to all organizations described in section 501(c)(3). Check the box to confirm that your organizing document meets this requirement, whether by express provision or by reliance on operation of state law. Attach a statement that describes specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document or by operation of state law. See the instructions, including Appendix B, for information about the special provisions that need to be contained in your organizing document. Go to line 2. ☐

2 Are you a private operating foundation? To be a private operating foundation you must engage directly in the active conduct of charitable, religious, educational, and similar activities, as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations. If "Yes," go to line 3. If "No," go to the signature section of Part XI. ☐ Yes ☒ No

3 Have you existed for one or more years? If "Yes," attach financial information showing that you are a private operating foundation; go to the signature section of Part XI. If "No," continue to line 4. ☐ Yes ☒ No

4 Have you attached either (1) an affidavit or opinion of counsel, (including a written affidavit or opinion from a certified public accountant or accounting firm with expertise regarding this tax law matter), that sets forth facts concerning your operations and support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation; or (2) a statement describing your proposed operations as a private operating foundation? ☐ Yes ☒ No

5 If you answered "No" to line 1a, indicate the type of public charity status you are requesting by checking one of the choices below. You may check only one box.

The organization is not a private foundation because it is:

- a 509(a)(1) and 170(b)(1)(A)(i)—a church or a convention or association of churches. Complete and attach Schedule A. ☐
- b 509(a)(1) and 170(b)(1)(A)(ii)—a school. Complete and attach Schedule B. ☐
- c 509(a)(1) and 170(b)(1)(A)(iii)—a hospital, a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital. Complete and attach Schedule C. ☐
- d 509(a)(3)—an organization supporting either one or more organizations described in line 5a through c, f, g, or h or a publicly supported section 501(c)(4), (5), or (6) organization. Complete and attach Schedule D. ☐



**Part X Public Charity Status (Continued)**

- e 509(a)(4)—an organization organized and operated exclusively for testing for public safety. ☐
- f 509(a)(1) and 170(b)(1)(A)(iv)—an organization operated for the benefit of a college or university that is owned or operated by a governmental unit. ☐
- g 509(a)(1) and 170(b)(1)(A)(vi)—an organization that receives a substantial part of its financial support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public. ☒
- h 509(a)(2)—an organization that normally receives not more than one-third of its financial support from gross **investment income** and receives more than one-third of its financial support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). ☐
- i A publicly supported organization, but unsure if it is described in 5g or 5h. The organization would like the IRS to decide the correct status. ☐

6 If you checked box g, h, or i in question 5 above, you must request either an **advance** or a **definitive ruling** by selecting one of the boxes below. Refer to the instructions to determine which type of ruling you are eligible to receive.

- a **Request for Advance Ruling:** By checking this box and signing the consent, pursuant to section 6501(c)(4) of the Code you request an advance ruling and agree to extend the statute of limitations on the assessment of excise tax under section 4940 of the Code. The tax will apply only if you do not establish public support status at the end of the 5-year advance ruling period. The assessment period will be extended for the 5 advance ruling years to 8 years, 4 months, and 15 days beyond the end of the first year. You have the right to refuse or limit the extension to a mutually agreed-upon period of time or issue(s). Publication 1035, *Extending the Tax Assessment Period*, provides a more detailed explanation of your rights and the consequences of the choices you make. You may obtain Publication 1035 free of charge from the IRS web site at [www.irs.gov](http://www.irs.gov) or by calling toll-free 1-800-829-3676. Signing this consent will not deprive you of any appeal rights to which you would otherwise be entitled. If you decide not to extend the statute of limitations, you are not eligible for an advance ruling. ☒

**Consent Fixing Period of Limitations Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code**

For Organization

(Signature of Officer, Director, Trustee, or other authorized official)

(Type or print name of signer)

(Date)

(Type or print title or authority of signer)

For Director, Exempt Organizations

By \_\_\_\_\_ Date \_\_\_\_\_

- b **Request for Definitive Ruling:** Check this box if you have completed one tax year of at least 8 full months and you are requesting a definitive ruling. To confirm your public support status, answer line 6b(i) if you checked box g in line 5 above. Answer line 6b(ii) if you checked box h in line 5 above. If you checked box i in line 5 above, answer both lines 6b(i) and (ii). ☐
- (i) (a) Enter 2% of line 8, column (e) on Part IX-A. Statement of Revenues and Expenses. ☐
- (b) Attach a list showing the name and amount contributed by each person, company, or organization whose gifts totaled more than the 2% amount. If the answer is "None," check this box. ☐
- (ii) (a) For each year amounts are included on lines 1, 2, and 9 of Part IX-A. Statement of Revenues and Expenses, attach a list showing the name of and amount received from each **disqualified person**. If the answer is "None," check this box. ☐
- (b) For each year amounts are included on line 9 of Part IX-A. Statement of Revenues and Expenses, attach a list showing the name of and amount received from each payer, other than a disqualified person, whose payments were more than the larger of (1) 1% of line 10, Part IX-A. Statement of Revenues and Expenses, or (2) \$5,000. If the answer is "None," check this box. ☐

- 7 Did you receive any unusual grants during any of the years shown on Part IX-A. Statement of Revenues and Expenses? If "Yes," attach a list including the name of the contributor, the date and amount of the grant, a brief description of the grant, and explain why it is unusual. ☐ Yes ☒ No



**Part XI User Fee Information**

You must include a user fee payment with this application. It will not be processed without your paid user fee. If your average annual gross receipts have exceeded or will exceed \$10,000 annually over a 4-year period, you must submit payment of \$500. If your gross receipts have not exceeded or will not exceed \$10,000 annually over a 4-year period, the required user fee payment is \$150. See instructions for Part XI, for a definition of **gross receipts** over a 4-year period. Your check or money order must be made payable to the United States Treasury. *User fees are subject to change. Check our website at [www.irs.gov](http://www.irs.gov) and type "User Fee" in the keyword box, or call Customer Account Services at 1-877-829-5500 for current information.*

- 1 Have your annual gross receipts averaged or are they expected to average not more than \$10,000? ☐ Yes ☒ No  
If "Yes," check the box on line 2 and enclose a user fee payment of \$150 (Subject to change—see above).  
If "No," check the box on line 3 and enclose a user fee payment of \$500 (Subject to change—see above).
- 2 Check the box if you have enclosed the reduced user fee payment of \$150 (Subject to change). ☐
- 3 Check the box if you have enclosed the user fee payment of \$500 (Subject to change). ☒

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please  
Sign  
Here

(Signature of Officer, Director, Trustee, or other  
authorized official)

(Type or print name of signer)

(Date)

(Type or print title or authority of signer)

**Reminder:** Send the completed Form 1023 Checklist with your filled-in-application.

Form 1023 (Rev. 10-2004)



## Attachment A

### Part IV - Narrative Description of Your Activities (Past, Present and Future)

#### **1) KIVA Microfunds raises recoverable grants from sponsors to fund microbusinesses owned by poor entrepreneurs in developing countries.**

##### **a) Detailed description of activity**

Through its interactive website, [www.kiva.org](http://www.kiva.org), KIVA Microfunds ("KIVA") provides information about microbusinesses owned by poor entrepreneurs in developing countries to potential sponsors interested in funding such microbusinesses. Through KIVA's website, these U.S.-based sponsors select a microbusiness to fund by providing a non-tax deductible contribution via PayPal, an online system allowing such sponsors to send secure payments to KIVA over the Internet. On its website KIVA discloses to its sponsors that they will recover all or a portion of their grant (with no interest) only if the recipient microbusiness pays back such grant.

If the grant money is recovered, KIVA makes these funds available to the sponsors to withdraw/recontribute to KIVA for the purpose of providing additional recoverable grants to other microbusinesses or donate to KIVA outright (as described below). If the sponsors choose to withdraw the funds, they receive PayPal transfers. No interest is offered to these sponsors for providing these funds. Sponsors are also given the option of donating their recovered funds to KIVA to assist in covering its operating expenses.

##### **b) When activity initiated**

This activity was initiated in March 2005.

#### **2) KIVA provides recoverable grants to microfinance organizations administering loans to poor entrepreneurs in developing countries on behalf of KIVA**

##### **a) Detailed description of activity**

KIVA engages in an industry known as microfinance, which is the provision of financial services to those excluded from the formal financial system. The goal of a microfinance program, such as KIVA, is to extend financial assistance either through established organizations (see discussion on KIVA Partners below) or directly to small businesses run by the self-employed poor and vulnerable non-poor (those just above the poverty line but lacking savings or insurance, and dangerously susceptible to sudden changes in their financial environment) in developing countries, thereby effectively boosting the income-producing capabilities of the poor in these regions.

**Past & Present Activities:** To further its mission of breaking the cycle of persistent poverty through providing funds to KIVAS Partner who in turn extend credit to low-income entrepreneurs in developing countries, KIVA has provided small business loans to seven small businesses in Tororo, Uganda, owned and operated by poor entrepreneurs selected by KIVA.



KIVA's criteria in selecting these microbusinesses is as follows:

KIVA transfers these funds to Uganda using bank wire transfers. Specifically, the funds are transferred to the bank account of a Ugandan community service worker who is a volunteer of the Village Enterprise Fund ("VEF"). VEF is a 501(c)(3) corporation headquartered in San Francisco, California that administers loans in East Africa. This VEF volunteer was hired by KIVA to:

- (a) disburse and administer KIVA's funds to recipient microbusinesses,
- (b) collect repayment of such funds, and
- (c) collect business updates and pictures from each recipient microbusiness for posting on KIVA's website, so sponsors can witness first-hand the charitable impact of KIVA's funds on these recipient microbusinesses; and
- (d) locate other potential microbusinesses to sponsor.

**Future Activity.** In the future, KIVA plans to fund additional microbusinesses in developing countries by entering into partnership arrangements with microlending organizations servicing poor entrepreneurs in developing countries ("KIVA Partners").

KIVA will continue to collect funds from U.S.-based sponsors via PayPal and will wire these funds to its KIVA Partners. In return, KIVA Partners will be responsible for selecting recipient microbusinesses according to guidelines that KIVA will develop, administering KIVA's funds and collecting repayment of KIVA's funds. KIVA will retain full control and authority over which microbusinesses are selected by these KIVA Partners, to ensure that each microbusiness selected furthers KIVA's mission. The KIVA Partners will collect and remit the principal amount of these funds to KIVA. KIVA, in turn, will allow sponsors to (a) withdraw the principal amount of funds contributed by the sponsor, (b) recontribute these funds to KIVA, so it may continue to provide funds to its KIVA Partners or (c) donate these funds directly to KIVA to cover its operating expenses.

**b) When activity initiated**

This activity was initiated in March 2005. Currently, negotiations are underway with other organizations operating in developing countries to implement this program activity.

**3) Recruit new KIVA Partners operating in developing countries**

**a) Detailed description of activity**

KIVA recognizes the value of well-established microfinance institutions and their expertise, infrastructure, social network and proven lending methodologies. Thus, KIVA chooses to partner with microfinance institutions that operate in developing countries and can assist KIVA in furthering its mission of providing access to credit for low-income entrepreneurs in developing countries to break their cycle of persistent poverty and become economically self sufficient.

**b) When activity initiated**

This activity was initiated in November 2005. Currently, negotiations are underway with other organizations operating in developing countries to become KIVA Partners.

**4) KIVA collects donations from donors to fund its operating expenses**

a) Detailed description of activity

Through its website, KIVA solicits donations to cover operating expenses, such as personnel salaries, information technology costs associated with operating its website and travel.

b) When activity initiated

This activity was initiated in March 2005.



**Attachment B**

**Part V - Compensation and Other Financial Arrangements with Your Officers, Directors, Trustees, Employees, and Independent Contractors**

Matthew Flannery  
President and Director  
25 Las Piedras Court  
Portola Valley, CA 94028  
**Current Compensation: \$0**  
**Future Compensation: \$40,000**

Jessica Flannery  
Vice-President and Director  
25 Las Piedras Court  
Portola Valley, CA 94028  
**Current Compensation: \$0**  
**Future Compensation: \$0**

Krista Van Lewen  
Secretary  
357 Upper Terrace #4  
SF, CA 94117  
**Current Compensation: \$0**  
**Future Compensation: \$0**

Chelsa Bocci  
**Current Compensation: \$2500**  
**Future Compensation: \$40,000**

Moses Onyango  
VEF Volunteer/KIVA Employee  
Uganda Address  
**Compensation: \$500 per month**

2(a). Matt Flannery and Jessica Flannery, both Directors and Officers of KIVA, are married to each other.

3(a) insert KIVA 's e-mail re name, qualifications, avg hours worked and duties

| Name             | Qualifications                  | Average Hours Worked | Duties  |
|------------------|---------------------------------|----------------------|---|
| Matthew Flannery | BS, MA from Stanford University | 40 hours per week    | Board member, President, Software Developer, strategy |

|                  |   |                   |   |
|------------------|---|-------------------|---|
| Jessica Flannery | BA from Bucknell<br>Stanford MBA candidate  | 10 hours per week | Board member,<br>Vice President,<br>Public Relations,<br>content creator,<br>strategy |
| Krista Van Lewen | BS, Michigan Technical<br>University  | 10 hours per week | Secretary   |
| Moses Onyango    | Community leader<br>Pastor of 2 churches in<br>Uganda<br>Staff member of Village<br>Enterprise Fund | 20 hours per week | Administer loans<br>Post updates and<br>photos to KIVA's<br>website                   |

#### **Part VI - Your Members and Other Individuals and Organizations that Receive Benefits from You**

1(b). KIVA assists KIVA Partners in providing funds to low-income entrepreneurs in developing countries who do not have access to traditional credit markets in order to start or enhance their business and enable these entrepreneurs to become economically self-sufficient. KIVA uses partner organization to select such entrepreneurs and deliver the funds.

KIVA channels funds through its KIVA Partners in developing countries, which in turn disburse and administer loans made to low-income entrepreneurs. KIVA compensates KIVA Partners by allowing them to keep the interest charged on these funds provided by KIVA.

2. Recipients of KIVA's funds are based on selections made by KIVA Partners according to KIVA's mission of breaking the cycle of persistent poverty through providing credit to low-income entrepreneurs in developing countries. Microbusinesses that do not fit withing KIVA's mission are not eligible for KIVA's funds.



## Attachment C

### Part VIII - Your Specific Activities

4a. KIVA intends to fundraise as follows:

- Email solicitations: KIVA sends out emails to its members and friends asking them to fund microbusinesses showcased on KIVA's website or to make donations to fund KIVA's operating expenses
- Personal solicitations: KIVA may ask for donations to support KIVA's administrative costs
- Foundation grants: KIVA might apply for grants to fund its administrative costs in the future
- Website: KIVA permits sponsors to donate the funds which have been repaid by the microbusinesses to such sponsors

4d. KIVA's website allows KIVA to fundraise for itself in each state and jurisdiction within the U.S.

4e. Each KIVA sponsor can choose which microbusiness to which such sponsor they would like to contribute. The only discretion a sponsor has is in choosing the microbusiness they wish to fund from a list of microbusinesses that have been prescreened by KIVA and are listed on KIVA's website. See **Exhibit B** for the type of information that is provided to each sponsor on KIVA's website.

6a. KIVA is affiliated with economic development of poor entrepreneurs in developing countries. KIVA extends financial assistance to these individuals through its arrangements with KIVA Partners, which use KIVA's funds to extend small loans to start or enhance these small community-based businesses. By increasing a poor entrepreneur's access to capital through KIVA's partnerships, KIVA enables these entrepreneurs to enhance their income generation thereby directly combating poverty and furthering economic development at a local level. Examples of such microbusinesses are, among other things: fish mongerer, produce stands, restaurants, cattle sales and clothing reseller.

6b. Poor entrepreneurs in developing countries who live in extreme poverty benefit from KIVA's economic development activities. Often, the funds KIVA extends to these low-income entrepreneurs through KIVA's partnerships goes to purchase the first round of stock for a business. Once these poor entrepreneurs have a first round of inventory, they are able to sell it for a profit and then purchase more inventory.

10. KIVA's intellectual property consists of its unregistered trademark, KIVA, and all the content developed for its website, at [www.kiva.org](http://www.kiva.org) plus software developed by KIVA to assist KIVA Partners in tracking microbusinesses posted to KIVA's website. KIVA will retain all rights and ownership to the intellectual property it develops.

12b. KIVA will definitely be funding microbusinesses in Tororo, Uganda and surrounding areas to further its mission of providing low cost debt to poor entrepreneurs. In addition, it might expand to areas of rural Kenya and Tanzania and other developing countries.

12c. In Tororo, Uganda, KIVA employs a volunteer of VEF, a KIVA Partner, to work part-time to administer KIVA's funds. KIVA pays this individual a stipend. This individual, through VEF, gives these poor entrepreneurs their initial loan, collects the principal repayment, which it sends back to KIVA and sends updates via the web of the businesses' activities to KIVA's website at [www.kiva.org](http://www.kiva.org).

12d. These activities further KIVA's tax exempt status because they are intended solely to help poor entrepreneurs in developing countries start or enhance their microbusinesses, become economically self-sufficient thereby escaping the persistent cycle of poverty.

United States Treasury Regulation § 1-501(c)(3)-1(d)(2) states that an organization may be exempt for 501(c)(3) purposes if it is organized and operated exclusively for charitable purposes. The regulations define "charitable" to include groups dedicated to the "relief of the ...distressed or of the underprivileged," and "promotion of social welfare." Treas. Reg. § 1-501(c)(3)-1(d)(2).

KIVA's core mission is to break the cycle of poverty in developing countries by providing poor entrepreneurs' access to credit in order to boost their income-producing capabilities. This is an unquestionably humanitarian mission benefiting communities in various developing countries around the world. KIVA will further promote social welfare by creating relationships with KIVA Partners operating in developing countries who intimately know poor entrepreneurs and their persistent poverty, due, in part, to a lack of funds to assist them in becoming financially self-sufficient.

13b. KIVA provides funds to KIVA Partners to finance microbusinesses in developing countries. It uses KIVA Partners to help select microbusinesses in accordance with KIVA's mission, administer and recollect these funds. The process is as follows:

- Internet sponsors pay KIVA using PayPal.
- KIVA wires money to KIVA Partner in a developing country.
- This KIVA Partner has a representative that loans KIVA's funds to a micro business selected by the KIVA Partner in accordance with KIVA's mission.
- The KIVA Partner representative monitors the business and collects loan repayments over a 6-12 month period. The KIVA Partner retains the interest collected on such loan and collects the principal amount to send back to KIVA.
- The KIVA Partner representative wires the money back to KIVA after the loan has matured.



- KIVA either repays (with no interest) the sponsor in the U.S. or allows the sponsor to fund another KIVA microbusiness or donate the amount to KIVA.

13c. No.

13d. The only organization to which KIVA has made a recoverable grant is Village Enterprise Fund. KIVA wired money to the VEF volunteer/KIVA employee in Uganda and the money was used to start 40 small businesses around Tororo, Uganda.

13e. KIVA keeps bank records of each transaction and records the transaction in its accounting system.

13g. KIVA Partners are required to provide updates to KIVA every 1-2 months as follows:

- 1) Each KIVA Partner must provide KIVA a picture of the microbusiness receiving KIVA funds and business updates every 1-2 months.
- 2) KIVA Partners post loan repayments and updates directly KIVA's website.
- 3) KIVA software will track KIVA Partners by providing statistics on the repayment rates of KIVA Partners, thereby providing information to potential sponsor regarding the likelihood of repayment by a microbusiness selected by a KIVA Partner.

15. KIVA has a close connection with Village Enterprise Fund. They have provided KIVA with a network of microbusinesses and people to work with in Uganda. Their president is an advisor of KIVA and may sit on KIVA's Board in the future.

#### **Part IX - Financial Data**

7. This revenue represents the funds KIVA receives from its online sponsors that are, in turn, provided to KIVA's Partners to fund the businesses listed on KIVA's website.

23. These expenses represent the amount of recoverable grants that KIVA is extending to its KIVA Partners in developing countries to further its mission of enhancing access to capital among poor entrepreneurs in developing countries, which matches the revenue listed on Line 7.

**Exhibit A**  
**Certified Articles of Incorporation**



State of California  
Secretary of State



I, BRUCE McPHERSON, Secretary of State of the State of California, hereby certify:

That the attached transcript of 2 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

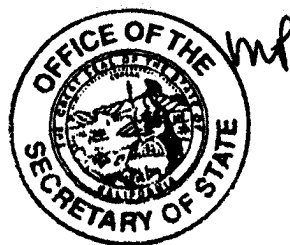


IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

NOV - 3 2005

BRUCE McPHERSON  
Secretary of State

**State of California**  
**Secretary of State**



I, BRUCE McPHERSON, Secretary of State of the State of California, hereby certify:

That the attached transcript of 2 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



**IN WITNESS WHEREOF**, I execute this certificate and affix the Great Seal of the State of California this day of

NOV - 3 2005

**BRUCE McPHERSON**  
Secretary of State



**ARTICLES OF INCORPORATION** **ENDORSED - FILED**  
In the office of the Secretary of State  
of the State of California

**OF**

**NOV 08 2005**

**KIVA MICROFUNDS**

**I.**

The name of this corporation is KIVA Microfunds.

**II.**

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes.

B. The specific purpose of this corporation is to engage in charitable, scientific, literary, and educational programs and activities.

**III.**

The name and address in the State of California of this corporation's initial agent for the service of process is:

Matthew Flannery  
25 Las Piedras Court  
Portola Valley, CA 94028

**IV.**

A. This corporation is organized and shall be operated exclusively for charitable, scientific, literary and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). This corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (ii) by a corporation contributions to which are deductible under Section 170(c)(2), 2055(a)(2) or 2522(a)(2) of the Code.

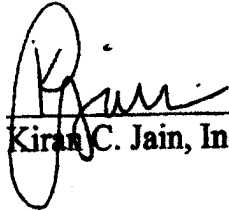
B. No substantial part of the activities of this corporation shall consist of carrying on propaganda or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

V.

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person. Upon the winding up and dissolution of this corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to one or more nonprofit funds, foundations or corporations selected by the corporation's board of directors that are organized and operated exclusively for charitable, scientific, literary and/or educational purposes and that have established their tax exempt status under Section 501(c)(3) of the Code.

VI.

Each reference in these articles of incorporation to sections of the Code shall also refer to any corresponding provision of any future United States internal revenue law.

  
Kiran C. Jain, Incorporator





**EXHIBIT A**

**ACTION BY THE SOLE INCORPORATOR**


**KIVA MICROFUNDS**

**ACTION BY THE SOLE INCORPORATOR**

The undersigned, the sole incorporator of KIVA Microfunds, a California nonprofit public benefit corporation ("KIVA"), takes the following actions:

1. Adopts the bylaws of KIVA attached thereto as Exhibit A.
2. Appoints Matt Flannery and Jessica Flannery as the directors of KIVA to serve until the next annual meeting of Board of Directors of KIVA and until their successors shall have been elected and qualified.
3. Resigns as incorporator of KIVA effective immediately.

Dated November 4, 2005

  
Kiran C. Jain



**Exhibit B**

**Bylaws**

## **BYLAWS**

**of**

### **KIVA Microfunds**

A California nonprofit  
public benefit corporation

## **ARTICLE I**

### **OFFICES**

**Section 1.1. Principal Office.** The principal office of KIVA Microfunds (the “Corporation”) shall be located at 25 Las Piedras Court, Portola Valley, CA 94028. The board of directors (the “Board”) may change the principal office to another location within or outside of California.

**Section 1.2. Other Offices.** The Board may at any time establish one or more other offices at any place or places within or outside of California.

## **ARTICLE II**

### **OBJECT AND PURPOSE**

The objects and purposes of the Corporation shall be as set forth in the Corporation’s Articles of Incorporation, as amended from time to time (the “Articles”). A primary purpose of the Corporation shall be to alleviate poverty in developing countries by providing financial assistance to small and medium-sized enterprises in such countries either directly or through local partnerships, and to otherwise further the Corporation’s charitable purpose as set forth in the Corporation’s Articles, as amended from time to time.

## **ARTICLE III**

### **MEMBERSHIP**

The Corporation shall have no members.



## **ARTICLE IV**

### **DIRECTORS**

**Section 3.1. Management of Corporation's Business by Board.** Subject to the provisions of any applicable law or any limitations in the Articles, the activities and affairs of the Corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the Corporation's activities to any person or persons, or committee however composed, provided that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

**Section 3.2. Number of Directors.** The number of the Corporation's directors shall be not less than one nor more than six, until changed by a Board committee action pursuant to Section 4.2, a duly adopted amendment of the Articles or this Section. The exact number of directors shall be designated by the Board within the limits specified. When not so designated, the number of directors shall be two (2).

**Section 3.3. Election and Term of Office.** At each annual regular meeting of the Board, an election shall be held to elect directors for the Corporation; provided that, if for any reason said annual regular meeting or an adjournment thereof is not held or directors are not elected thereat, then directors may be elected at any special meeting of the Board called and held for that purpose. Directors shall be elected by a majority vote of the directors then in office, whether or not less than a quorum, or the sole remaining director, as the case may be, and the directors may re-elect themselves as successor directors. Directors shall be elected to serve for a term of three years.

The term of office of directors shall begin immediately after their election and shall continue until the expiration of the term for which elected and until their respective successors have been elected and qualified. Any reduction of the number of directors authorized in the Articles or these Bylaws does not remove any director prior to the expiration of such director's term of office. No amendment of the Articles or these Bylaws may extend the term of a director beyond that for which the director was elected.

**Section 3.5. Removal of Director Without Cause.** Any or all directors may be removed, with or without cause, upon the approval of two-thirds (2/3) of all directors then in office.

**Section 3.6. Resignation of Director.** Any director may resign effective upon giving written notice to the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective. Except upon notice to the Attorney General of the State of California, no director may resign where the Corporation would then be left without a duly elected director or directors in charge of its affairs.

**Section 3.7. Filling Vacancies on the Board.** A vacancy on the Board shall exist when any authorized position of director is not then filled by a duly elected or chosen director, whether caused by death, resignation, removal, increase in the authorized number of directors, or otherwise. Unless otherwise provided in the Articles or these Bylaws, vacancies on the Board may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director.

**Section 3.8. Compensation of Directors.** Directors shall receive such compensation for their services as directors and such reimbursement for their expenses of attendance at Board meetings as may be determined from time to time by the Board. A director shall be subject to all of the duties and obligations imposed by the Articles, these Bylaws or by law, whether or not that director receives any compensation from the Corporation. Nothing in this Section shall preclude any director from serving the Corporation in any other capacity and receiving compensation for such other service. No obligation, otherwise valid, to pay such compensation shall be voidable merely because the persons receiving the compensation participated in the decision to pay it, unless it was not just and reasonable as to the Corporation at the time it was authorized, ratified or approved.

## **ARTICLE V**

### **COMMITTEES AND ADVISORS TO THE BOARD**

**Section 4.1. Creation of Board Committees.** The Board may, by resolution adopted by a majority of the directors then in office, provided that a quorum is present, create one or more committees, whose members may, but need not be, directors, to serve at the sole discretion of the Board. The Board



may appoint one or more directors or other persons as alternate members of any committee, who may replace any absent committee member at any meeting of the committee.

**Section 4.2. Board Committee Action.** A majority of the members of any committee shall constitute a quorum and all actions of a committee shall require a majority vote of the committee members present at a meeting at which a quorum is present, although committee members may participate by any means of communication by which all committee members may simultaneously hear each other during the meeting. Any action by any committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to control, revision and alteration by the Board of Directors, provided that no rights of third persons shall be prejudicially affected thereby. The committee may establish reasonable rules of procedures, subject to control, revision, and alternation by the Board of Directors.

**Section 4.3. Advisors to the Board.** The Board may, from time to time, appoint one or more individuals having the title of Advisor to the Board, who shall provide the Board with such advice and consultation as shall be specified by the Board and agreed upon with such individual or individuals. Such Advisors shall not be directors of the Corporation, but shall have such authority as may be specifically granted to them by the Board.

## **ARTICLE VI**

### **MEETINGS OF THE BOARD**

**Section 5.1. Place of Board Meetings.** Meetings of the Board shall be held at the principal office of the Corporation or at such other place within or without California which has been designated by the Board.

**Section 5.2. Regular Meetings.** The Board shall meet in a regular meeting on an annual basis, at a time to be fixed by action of the Board. Regular meetings of the Board may be held without notice, as long as the time and place of such meetings are at the time and place previously fixed by the Board. At such annual meeting, the Board shall conduct such business of the Corporation as shall be

necessary or appropriate, including the election of directors and officers, and also including the determination of distributions or expenditures to be made by the Corporation in furtherance of its charitable purpose.

**Section 5.3. Special Meetings.** Special meetings of the Board may be called by the President or any director. Special meetings of the Board shall be held upon four days' notice by first-class mail or 48 hours' notice delivered personally or by telephone, telecopy, or electronic mail. A notice or waiver of notice need not specify the purpose of any regular or special meeting of the Board.

**Section 5.4 Quorum.** One-fifth (1/5) of the number of authorized directors (but not less than two directors) shall constitute a quorum of the Board for the transaction of business. Subject to the provisions of California Nonprofit Public Benefit Corporation Law, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting or such greater number as is required by the California Nonprofit Public Benefit Corporation Law or these Bylaws.

**Section 5.5. Adjourned Meetings.** A majority of the directors present, whether or not a quorum is present, may adjourn any Board meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

**Section 5.6. Waiver of Notice and Consent to Board Meetings.** Notice of a Board meeting need not be given to any director who signed a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

**Section 5.7. Action Without a Meeting.** Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively

consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such directors.

**Section 5.8. Board Meeting by Conference Telephone.** Directors may participate in a Board meeting through use of conference telephone or similar communications equipment, as long as all directors participating in such meeting can hear one another. Participation in a meeting pursuant to this Section constitutes presence in person at such meeting.

**Section 5.9. Proxy Voting.** At any meeting of the Board of Directors, any director may vote by a written proxy, provided that notice of each matter properly coming before the meeting with respect to which such proxy is to be exercised is giving to each director in writing more than five (5) days prior to such meeting, that such proxy specifically identifies the matter with respect to which it is to be exercised and the manner in which it is to be exercised, and that the executed original of the proxy is delivered to the President of the Corporation at or before the beginning of such meeting.

## **ARTICLE VII**

### **OFFICERS**

**Section 6.1. In General.** The officers of the Corporation shall be President, a Vice President, a Secretary, a Chief Financial Officer, and such other officers as the Board of Directors may otherwise elect. An officer may simultaneously hold more than one (1) office except that the President may not serve concurrently as the Secretary or Chief Financial Officer. Each officer shall be elected by the Board of Directors at the annual meeting and shall serve for one (1) year until the officer's successor is elected and qualified or the officer is re-elected. The President and Vice President, must be members of the Board of Directors. Any officer may be removed by the Board of Directors at any time, with or without cause. Any vacancy shall serve until the expiration of the term vacated.

**Section 6.2. Resignation and Filling of Vacancies.** Any officer may resign at any time upon written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any



contract to which the officer is a party. The Board may fill any vacancy occurring for any reason in any office of the Corporation.

**Section 6.3. President - Powers and Duties.** The powers and duties of the President are:

(a) To act as the chief executive officer of the Corporation and, subject to the control of the Board, to have general supervision, direction and control of the affairs of the Corporation.

(b) To preside at all meetings of the Board.

(c) To call meetings of the Board to be held, subject to the limitations prescribed by law or these Bylaws, at such times and places as the President shall deem proper.

(d) If necessary, to affix the signature of the Corporation to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the judgment of the President, should be executed on behalf of the Corporation, and, subject to the direction of the Board, to have general charge of the property of the Corporation and to supervise and control all of its officers, agents and employees.

**Section 6.4. Vice-President - Powers and Duties.** The Vice-President may call meetings of the Board to be held, subject to the limitations prescribed by law or these Bylaws, at such times and places as the Vice-President shall deem proper. In case of the absence, disability or death of the President, the Vice-President shall exercise all the powers and perform all the duties of the President. The Vice-President shall have such other powers and duties as may be prescribed by the Board.

**Section 6.5. Secretary - Powers and Duties.** The powers and duties of the Secretary are:

(a) To keep a book of minutes at the principal office of the Corporation, or at such other place as the Board may direct, of all meetings of the Board, with the time and place of holding, whether annual, regular, special or adjourned, and, if special, how authorized, the notice thereof given, the names of those present and the proceedings of such meetings.

(b) To keep or cause to be kept at the principal office of the Corporation a current list of directors containing the name and address of each director and any other information which the Board may direct to be kept in such list.

(c) To give, serve or publish notices of all Board meetings and all other notices that may be necessary or proper, and without command or direction from anyone.

(d) To call meetings of the Board to be held, subject to the limitations prescribed by law or these Bylaws, to be held at such times and places as the Secretary shall deem proper.

(e) Generally to perform all such duties as pertain to the office of Secretary and as may be required by the Board.

**Section 6.6. Chief Financial Officer - Powers and Duties.** The powers and duties of the Chief Financial Officer are:

(a) To supervise and control the keeping of adequate and correct accounts of the Corporation's properties and transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses and capital. Such account books shall be maintained at the Corporation's principal office and/or at such other place or places as the Board may direct.

(b) To have custody of all funds, securities, evidences of indebtedness and other valuable documents of the Corporation and, at the Chief Financial Officer's discretion, to cause any or all thereof to be deposited for the account of the Corporation with such depository as may be designated from time to time by the Board.

(c) To receive or cause to be received, and to give or cause to be given, receipts for moneys paid in for the account of the Corporation.

(d) To disburse, or cause to be disbursed, all funds of the Corporation as may be directed by the Board, taking proper receipts for such disbursements.

(e) To render to the President and to the Board, whenever they may require, accounts of all transactions and of the financial condition of the Corporation.

(f) To perform the duties described in Section 8.1 relating to the Corporation's annual report.

(g) Generally to do and perform all such duties as pertain to the office of Chief Financial Officer and as may be required by the Board.

## **ARTICLE VIII**

### **RECORDS, REPORTS AND INSPECTION RIGHTS**

**Section 8.1. Annual Report.** The Board shall cause an annual report to be sent to the directors not later than 120 days after each close of the Corporation's fiscal year. Such report shall contain in appropriate detail the following: (1) the assets and liabilities of the Corporation as of the end of the fiscal year; (2) the principal changes in assets and liabilities during the fiscal year; (3) the revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year; and (4) the expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year. The report required by this Section shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of the Chief Financial Officer or other authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation.

**Section 8.2. Inspection Rights of Directors.** Every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind.

## **ARTICLE IX**

### **MISCELLANEOUS PROVISIONS**

**Section 9.1. Interpretation of Bylaws.** Unless defined differently herein or unless the context requires a different meaning, terms used in these Bylaws shall have the same meaning as may be given to them in the California Nonprofit Public Benefit Corporation Law, as amended from time to time. To the extent possible, these Bylaws shall be construed as supplemental to all laws applicable to the same subject matter and shall be fully complied with unless such compliance shall be illegal.

**Section 9.2. Notices.** Unless otherwise expressly provided herein, any notice required or permitted to be given under these Bylaws shall be deemed effectively given (1) when deposited in the United States mail, addressed to the recipient at his or her last address, if any, appearing on the Corporation's books and with first-class postage thereon prepaid; (2) when personally delivered in writing to the recipient; (3) when delivered in writing to a common carrier for transmission, or actually transmitted by the person giving notice by electronic means, to the recipient; or (4) when communicated



orally, in person or by telephone, to the recipient or to a person at the recipient's office who the person giving notice has reason to believe will promptly communicate it to the recipient.

**Section 9.3. Fiscal Year.** The fiscal year of the Corporation shall end on September 30.

**Section 9.4. Instruments in Writing.** All checks, drafts, demands for money and notes of the Corporation, and all written contracts of the Corporation, shall be signed by such officer or officers, agent or agents, as the Board may from time to time designate.

## **ARTICLE X**

### **INDEMNIFICATION**

**Section 10.1. Right of Indemnity.** To the fullest extent permitted by law, the Corporation shall indemnify its directors, officers, and employees, and other persons described in section 5238(a) of the California Nonprofit Corporation Law, including persons formerly occupying such positions, against all expenses, including but not limited to court costs and attorney fees, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this section, shall have the same meaning as in section 5238(a) of the California Nonprofit Corporation Law.

**Section 10.2. Approval of Indemnity.** On written request to the Board by any person seeking indemnification under section 5238(b) or section 5238(c) of the California Nonprofit Corporation Law, the Board shall promptly determine under section 5238(e) of the California Nonprofit Corporation Law whether the applicable standard of conduct set forth in section 5238(b) or section 5238(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the Board shall promptly call a meeting of the members. At the meeting the members shall determine under section 5238(e)(2) of the California Nonprofit Corporation law whether the applicable standard of conduct set forth in section 5238(b) or section 5238(c) has been met and, if so, the members shall authorize indemnification.

**Section 10.3. Advancement of Expenses.** To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Section 10.1 and Section 10.2 in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation for an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

**Section 10.4. Insurance.** The Corporation shall have the right to purchase and maintain insurance to the fullest extent permitted by law on behalf of its officers, directors, employees and other agents, against any liability asserted against or incurred by any officer, director, employee or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

**Section 10.5. Indemnification-Excess.** The indemnity provided herein shall be in excess of all valid and collectible insurance or indemnity policies.

## **ARTICLE XI**

### **ADOPTION, AMENDMENT OR REPEAL OF BYLAWS**

**Section 11.1. Procedure.** Bylaws may be adopted, amended or repealed by the vote of a majority of all directors.

## **ARTICLE XII**

### **DISSOLUTION**

Upon dissolution or other termination of the Corporation, any assets remaining after all debts of the Corporation have been paid shall be disposed of as provided in the Articles of Incorporation.

## **CERTIFICATE OF SECRETARY**

**KNOW ALL PERSONS BY THESE PRESENTS:**

That the undersigned does hereby certify that the undersigned is the Secretary of KIVA Microfunds, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, that the foregoing Bylaws of said Corporation were duly and regularly adopted as such by the board of directors of said Corporation, which directors are the only members of said Corporation; and that the above and foregoing Bylaws are now in full force and effect.

**Dated: November 4, 2005**

  
\_\_\_\_\_  
Krista Van Lewen, Secretary



**Exhibit C**  
**Conflict of Interest Policy**

## KIVA MICROFUNDS

### CONFLICT OF INTEREST POLICY

1. **PURPOSE.** The purpose of this Conflict of Interest Policy (this “Policy”) is to protect the interest of KIVA Microfunds, a California nonprofit corporation (“KIVA”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of KIVA or might result in a possible excess benefit transaction. This Policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to KIVA.

### 2. DEFINITIONS.

2.1 **Interested Person:** Any director, officer or member of a committee to which the board of directors of KIVA (the “Board”) has delegated powers (a “Board Committee”) who has a direct or indirect financial interest, as defined below, is deemed an “interested person” for purposes of this Policy.

2.2 **Financial Interest:** A person has a “financial interest” if the person has, directly or indirectly, through business, investment or family relationships:

(a) An ownership or investment interest in any entity with which KIVA has entered into a transaction or arrangement;

(b) A compensation arrangement with KIVA or with any entity or individual with which KIVA has entered into a transaction or arrangement; or

(c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which KIVA is negotiating a transaction or arrangement.

2.3 **Compensation.** The term “compensation” includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

### 3. PROCEDURES.

3.1 **Duty to Disclose.** If pursuant to KIVA’s entrance into a transaction or arrangement a person may or has become an interested person, then such person shall promptly disclose to the Board the existence of such potential financial interest and all material facts related thereto.

### 3.2 Determining Whether a Conflict of Interest Exists.

(a) The existence of an actual or potential financial interest is not necessarily a conflict of interest. A person who has or may have a financial interest will be deemed to have a conflict of interest only if the Board determines that a conflict of interest exists with respect to such actual or potential financial interest.

(b) After disclosure of an actual or potential financial interest and all material facts related thereto, and after any discussion with the interested person, the Board shall evaluate and discuss the actual or potential existence of such financial interest and determine, by vote or written consent, the existence of a conflict of interest with respect to such financial interest.

(c) The Board may delegate to a Board Committee the authority to determine whether a conflict of interest exists with respect to any actual or potential financial interest (such Board Committee, a "Review Committee").

(d) No person who is or may become an interested person may participate in the evaluation and determination of whether or not a conflict of interest exists. Notwithstanding the foregoing, the Board or Review Committee may invite the person with an actual or potential financial interest to present to the Board or Review Committee the facts pertaining to the actual or potential financial interest, provided that such person leaves the meeting prior to any discussion with respect to whether or not a conflict of interest exists with respect to such actual or potential financial interest.

### **3.3 Procedures for Addressing a Conflict of Interest**

(a) The Board or Review Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement with respect to which the financial interest arises to eliminate any potential conflict of interest.

(b) After exercising due diligence, the Board or Review Committee shall determine whether KIVA can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

(c) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or Review Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in KIVA's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the Board or Review Committee shall make its decision as to whether to enter into the transaction or arrangement.

### **3.4 Violations of the Conflicts of Interest Policy.**

(a) If the Board or Review Committee has reasonable cause to believe a person has failed to disclose an actual or possible financial interest, the Board or Review Committee shall inform such person of the basis for such belief and afford such person an opportunity to explain the alleged failure to disclose.

(b) If, after hearing such person's response and after making further investigation as warranted by the circumstances, the Board or Review Committee determines such person has consciously failed to disclose an actual or possible financial interest, KIVA shall take appropriate disciplinary and corrective action.



**4. RECORDS OF PROCEEDINGS.** The minutes of any meeting of the Board or a Review Committee at which the Board or such Review Committee discuss an actual or potential financial interest shall contain:

**4.1** The names of the persons who disclosed or otherwise were found to have an actual or potential financial interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present or would arise, and the Board's or Review Committee's decision as to whether a conflict of interest in fact existed or would arise; and

**4.2** The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

**5. COMPENSATION.**

**5.1** A director who receives compensation, directly or indirectly, from KIVA for services is precluded from voting on matters pertaining to his or her compensation.

**5.2** A member of any Board Committee whose jurisdiction includes compensation matters (a "Compensation Committee") who receives compensation, directly or indirectly, from KIVA for services is precluded from voting on matters pertaining to that member's compensation.

**5.3** Any director or member of a Compensation Committee who receives compensation, directly or indirectly, from KIVA, either individually or collectively, is prohibited from providing information to the Board or a Compensation Committee regarding compensation.

**6. ANNUAL STATEMENTS.** Each director, officer and member of a Board Committee shall sign a statement which affirms that such person:

**6.1** Has received a copy of this Policy,

**6.2** Has read and understands this Policy,

**6.3** Has agreed to comply with this Policy, and

**6.4** Understands KIVA is a non-profit corporation and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

**7. PERIODIC REVIEWS.** To ensure KIVA operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, the Board shall conduct periodic reviews of KIVA's activities and this Policy. The periodic reviews shall include the following subjects:

**7.1** Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and

**7.2** Whether partnerships, joint ventures, and arrangements with management organizations conform to KIVA's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further KIVA's tax-exempt purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

**8. USE OF OUTSIDE EXPERTS.** When conducting the periodic reviews as provided for in Section 7, the Board may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

# **KIVA MICROFUNDS**

## **WRITTEN CONSENT OF THE BOARD OF DIRECTORS**

**November 4, 2005**

The undersigned, constituting all of the members of the board of directors (the "**Board**") of KIVA Microfunds, a California nonprofit public benefit corporation ("**KIVA**"), pursuant to Section 5211 of the California Nonprofit Corporation Law (the "**CNCL**") of the State of California and Section 6.9 of the Bylaws of KIVA, do hereby adopt, and consent to the adoption of, the following resolutions to be effective immediately, for all purposes:

### **APPOINTMENT OF DIRECTORS**

RESOLVED, that the Action by the Sole Incorporator attached hereto as Exhibit A appointing the initial members of the Board be, and it hereby is, ratified and approved.

### **ARTICLES OF INCORPORATION**

RESOLVED, that the Articles of Incorporation of KIVA filed with the Secretary of State of the State of California on November 3, 2005, be, and they hereby are, ratified and affirmed.

### **ELECTION OF OFFICERS**

RESOLVED, that the persons listed below be, and they hereby, elected as officers of KIVA, to serve in their respective capacities at the sole discretion of the Board until the next annual meeting of the Board or until their successors are duly elected and have qualified:

|                         |                  |
|-------------------------|------------------|
| President               | Matt Flannery    |
| Vice President          | Jessica Flannery |
| Chief Financial Officer | Jessica Flannery |
| Secretary               | Krista Van Lewen |

### **ADOPTION OF BYLAWS**

RESOLVED, that the Board hereby ratifies and approves the adoption pursuant to the Action by the Sole Incorporator of the Bylaws, in the form attached hereto as Exhibit B, as the bylaws of KIVA; and

RESOLVED FURTHER, that the Secretary be, and hereby is, authorized and directed to insert such Bylaws, as certified, in the minute book of KIVA, and to see that a copy of the original of such Bylaws, as amended,

shall be kept at the principal office of this KIVA in accordance with Section 5160 of the CNCL.

#### **CONFLICT OF INTEREST POLICY**

RESOLVED, that the Conflict of Interest Policy attached hereto as Exhibit C is hereby adopted.

#### **TAX IDENTIFICATION NUMBER**

RESOLVED, that the appropriate officers of KIVA be, and each of them hereby is, authorized and directed to apply to the IRS District Director for an employer's identification number on Form SS-4.

#### **EMPLOYMENT DEVELOPMENT DEPARTMENT IDENTIFICATION NUMBER**

RESOLVED, that the appropriate officers of KIVA be, and each of them hereby is, authorized and directed to apply to the Employment Development Department for an identification number on Form DE-1.

#### **TAX EXEMPTION AND CHARITABLE TRUST APPLICATIONS**

RESOLVED, that the officers of KIVA be and they hereby are authorized, empowered and directed to proceed with the filing of applications for recognition of California and federal income tax exemptions on behalf of KIVA with the California Franchise Tax Board and the Internal Revenue Service and to proceed with the registration of KIVA with the Registry of Charitable Trusts of the California Attorney General.

#### **BANK AND OTHER DEPOSITORY ACCOUNTS**

RESOLVED, that the President and the Chief Financial Officer of KIVA be, and each of them hereby is, designated as an authorized agent of KIVA to sign or countersign, drafts or other orders for the payment of money issued in the name of KIVA against funds deposited or held in bank and other depository accounts of KIVA (an "*Authorized Agent*")

RESOLVED FURTHER, that each Authorized Agent is authorized to use facsimile signatures for the signing or countersigning of checks, drafts or other orders for the payment of money and to enter into such agreements as banks and similar financial institutions customarily require as a condition for permitting the use of facsimile signatures;

RESOLVED FURTHER, that each Authorized Agent may make such general and special rules and regulations with respect to such accounts as they may deem necessary or advisable, and to complete, execute and



certify any customary printed blank signature card forms in order to exercise conveniently the authority granted by these resolutions and any resolutions printed on such cards are deemed adopted as a part of these resolutions;

**RESOLVED FURTHER**, that all checks, drafts and other instruments obligating KIVA to pay amounts not exceeding \$20,000 shall be signed on behalf of KIVA by either the President or the Chief Financial Officer and all checks, drafts and other instruments obligating KIVA to pay amounts in excess of \$20,000 shall be signed on behalf of KIVA by any two of the following, acting jointly: the President, Vice-President, Chief Financial Officer, and Secretary;

**RESOLVED FURTHER**, that all form resolutions required by any depository used by KIVA be, and they hereby are, adopted in such form used by such depository, and that the Secretary be, and he hereby is, (i) authorized to certify such resolutions as having been adopted by the Board and (ii) directed to insert a copy of any such form resolutions in the minute book of KIVA immediately following these minutes; and

**RESOLVED FURTHER**, that any depository of KIVA to which a certified copy of these resolutions has been delivered by the Secretary of KIVA be, and it hereby is, authorized and entitled to rely upon such resolutions for all purposes until it shall have received written notice of the revocation or amendment of these resolutions adopted by the Board.

#### **FISCAL YEAR**

**RESOLVED**, that the fiscal year of KIVA shall end on September 30 of each year.

#### **PRINCIPAL OFFICE**

**RESOLVED**, that the principal executive office of KIVA shall be at 25 Las Piedras Court, Portola Valley, CA 94028.

#### **MANAGEMENT POWERS**

**RESOLVED**, that the officers of KIVA be, and each of them hereby is, authorized to sign and execute in the name and on behalf of KIVA all applications, contracts, leases and other deeds and documents or instruments in writing of whatsoever nature that may be required in the ordinary course of business of KIVA and that may be necessary to secure for operation of the corporate affairs, governmental permits and licenses for, and incidental to, the lawful operations of the business of KIVA, and to do such acts and things as such officers deem necessary or advisable to fulfill such legal requirements as are applicable to KIVA and its purposes.

#### **RATIFICATION**

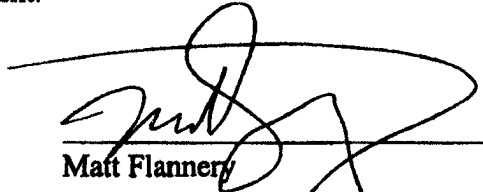
**RESOLVED**, that all prior acts done on behalf of KIVA by the sole incorporator or his agents be, and the same hereby are, ratified and approved as acts of KIVA.


#### **OMNIBUS RESOLUTION**

**RESOLVED**, that the officers of KIVA be, and each of them hereby is, authorized and directed, for and on behalf of KIVA, to take any and all further action and to execute and deliver any and all other instruments or documents as they may deem necessary or desirable to obtain such licenses, authorizations and permits as are necessary or desirable for KIVA's purposes, and to carry out the intent of these resolutions, the authority for the taking of any such action and the execution and delivery of any such instruments and documents to be conclusively evidenced hereby.

\* \* \*

IN WITNESS WHEREOF, the undersigned Directors of KIVA have executed this Written Consent as of the date first above shown and have directed that this Written Consent be filed with the minutes of the proceedings of the Board of Directors of the Corporation. This Written Consent of the Board of Directors may be signed in multiple counterparts, which together shall constitute a single document.

  
\_\_\_\_\_  
Matt Flannery

  
\_\_\_\_\_  
Jessica Flannery

**Exhibit D**

**KIVA's Disclosure Information to Sponsors**





loans that change lives

HOME

ABOUT

BUSINESSES

ACCOUNT

**About sponsoring a business**[What We Do](#)[Why We Do it](#)[Getting Started](#)[The Kiva Story](#)[FAQs](#)[People](#)[Kiva Blog](#)[Press](#)[Partners](#)[Contact](#)**How do I sponsor a Kiva business?**

You can browse our latest list business profiles that need loan funding on this website by clicking on the main "Businesses" button above, and then clicking on the "Need Loans" link on the left. Each business profile contains information about the business plan, the entrepreneur(s), the amount of loan capital needed to start, the repayment plan associated with the loan, and more. If you wish to help fund the loan request, you can click on "Loan" or "Loan to this business" to loan money in \$25 increments using your credit card.

As a first-time visitor and -- we hope -- a potential lender, you may find it interesting to look through some of the businesses in the "Active" and "Archive" sections (as opposed to businesses in the "Need Loans" section) first. Why? One of the greatest rewards of being a Kiva lender is that you will get to receive email updates about your specific sponsored business every month, thanks to the diligent monitoring and the journaling of our partner representatives in Africa. Because the businesses in the "Active" and "Archive" sections have already received funding, they will have extensive updates/journal entries. Reading these entries will give you a good idea of the kind of updates you might receive if you sponsor a Kiva business.

(Note: For a full step-by-step overview of the "sponsor a business" process, please visit our [Getting Started](#) section.)

**So, I'm really loaning - not donating - money. Will I receive interest on my loan repayment?**

No. When you loan money to Kiva, you will sign a contract explaining that no interest will be added onto the amount you originally loaned to you when the loan is repaid to you.

That said, the businesses receiving your loans might be charged interest. In this case, the interest will be used to cover operating costs. (Learn more about this interest rate and how we cover our operating costs in [FAQ #23](#).)

**What is my loan considered, financially speaking? Is it a tax-deductible donation? Is it an investment? Is it something else?**

When you "sponsor a business" you are lending money with the intention of being paid back. This is no donation, so it is not considered tax-deductible.

Because we do not repay our lenders with interest, the SEC does not consider a Kiva loan a security. If we did offer interest, the SEC would consider Kiva loans to be securities that could be heavily regulated, which would be prohibitive for Kiva, for lenders, and for sponsored businesses.

We believe Kiva's charitable loan program encompasses the best of many worlds. It is a new financial product best suited for someone who isn't concerned about getting a tax deduction, likes the idea of getting their money back, and is interested in having a customized, high-engagement experience learning about small business enabled by their microloan in East Africa.

**Does Kiva take donations?**

Kiva is still in the middle of its incorporation process, and will not be taking tax-deductible donations until November or December 2005. However, we are willingly accepting donations offline. Please email us through the online form under the "Contact Us" link to the left if you are interested in this option. If your gift hinges on the ability to get a tax deduction, please let us know and we can work with a partner nonprofit that has communicated a willingness to work with us to provide that tax-deductible status for you.

**How do I keep in touch with the business(es) I sponsor?**

Throughout the duration of loan repayment, as a lender, you will be sent regular (usually every month) updates about the progress of your sponsored business' progress. Updates include things like: information on loan repayment progress; photos of the entrepreneur and perhaps the new capital equipment they've been able to purchase because of the loan; narratives on business growth; anecdotes about the entrepreneur's family improving their standard of living; news about local seasons or current events that might affect your sponsored business; and more. Content comes from our staff as well as from the recipients themselves (via our staff). Once a new update has been posted, lenders receive an email alerting them to this fact.

You may also communicate directly with the business you sponsor. This can be done by posting a comment under any update posted on our website. The comment will be read and responded to within a week or by our staff and, when appropriate, relayed to the sponsored entrepreneur her/himself.

**How can I be assured of the integrity of the entrepreneurs I sponsor? What is Kiva's due diligence process?**

All of the businesses listed on our site are referred to us by partner organizations, each of which have their own extensive due diligence process. Additionally, each of our sponsored entrepreneurs are well-known to our partner representative. Thus, before being referred, entrepreneurs are subject to the scrutiny of our partners, as well as to that of our expert staff.

Kiva only chooses partners who are experts in microfinance. Our partners are industry veterans with the wisdom to choose reliable, trustworthy, and promising businesses. Our current partner, Village Enterprise Fund, has been in the development field for 15 years. VEF relies upon an extensive network of individuals indigenous to the communities in which they work, to ensure the highest level of accountability and integrity.

**How can I be assured the loan will be paid back?**

While the microfinance industry typically achieves high repayment rates, cases of loan default certainly exist. Kiva works with its partners to do everything in its ability to recover losses resulting from a failed business. However, we cannot guarantee every loan will be successfully returned, and thus we cannot guarantee you will definitely receive 100% of your money back.

Kiva strives to attract socially-minded lenders who are looking for a more sustainable way to help those in poverty. We are committed to presenting the opportunity we provide in a completely straightforward way, being very clear about the risks associated with lending to a Kiva business.

**What are the chances I will be paid back?**

The microfinance industry as a whole claims as high as a 97% payback rate. While the performance of Kiva's portfolio may vary since we are initially dealing with a rather small pool of businesses, we are proud to report that so far 100% of businesses have either repaid their loans in full or are well on their way to do so.

The people who receive your loan funding are real people with real challenges. While we have never encountered this situation, during the course of the loan, it's possible that a tragedy could strike - drought that affects crops, illnesses that prohibit a vendor from opening her shop, and natural disasters are all examples of potential threats. However, what we can guarantee is this: every individual who receives a loan is well-informed that the opportunity they've been given comes from other real people (like you) who have sacrificed to give them that opportunity. Perhaps most importantly, it has been our experience that no one else works harder to lift the poor from poverty than the poor themselves. They are working hard, and we do everything in their power to repay you. We hope you can appreciate this premise and believe it's still worth the risk to give them a fighting chance.

**How will I be paid back?**

As of December 2005, Kiva has decided that it can only repay via PayPal. This is due to the high cost of mailing a check and the international nature of our user base. If you do not have a PayPal account, please create one so that you can be repaid!

**What percentage of my loans goes to the business I sponsor?**

100%. All of your money you loan to an African entrepreneur will go to that entrepreneur to build a business. None of your loan will go to fund our overhead costs.

**Then, how are Kiva's operating expenses covered?**

All of Kiva's overhead expenses are covered by donations and by the interest gained from the loans as entrepreneurs repay them. Operating expenses are not covered by any of the loan money that lenders contribute. When you "sponsor a business," all of your money goes to that business, not to any other expenses.

We keep operating expenses low using several strategies, including: working from home offices; utilizing an entirely paperless transaction system; hiring part-time staff when possible and when appropriate; working without salaries. Our partner representatives are paid stipends which provide them with income in addition to that they receive by the microfinance organizations they work for full-time.

**How do I pay if I don't have a PayPal account?**

You do not need a PayPal account to lend money online. You do, however, need to pay online using a credit card, via the PayPal site, as we have contracted with PayPal to handle our credit card transactions (even if you do not have a PayPal account).

**Do I get a receipt for my loan contribution?**

We will send an email receipt for your loan contribution.

**How do I keep track of my loans?**

At any time day or night, you can login to the Kiva website and click on the main "Account" button above to review the status of your loans.

**What if I change my mind and want my money back in the middle of the loan?**

We currently are unable to redeem your loan mid-term. However, as soon as the loan is repaid, you will be able to withdraw your money from the Kiva system.

**About the organization****What does "Kiva" mean?**

Kiva is a Swahili word meaning "agreement" or "unity."

**How did Kiva get started?**

Please read about how we began on the [Kiva Story](#) section of this website.

**What kind of an organization is Kiva?**

Kiva is currently a registered Public Benefit Corporation in California. Kiva is currently in the middle of its 501(c)(3) incorporation process. Kiva is confident it will be granted such status given the precedent of other organizations that also loan to the working poor.

**How does Kiva make money?**

As an eventual 501(c)(3) organization, Kiva's primary goal is not to make a profit. However, in the interest of becoming a financially sustainable organization, Kiva accepts donations and uses interest paid by loan recipients to cover its in-country operating expenses.

**How does Kiva measure its impact? How do the lives of Kiva entrepreneurs typically change after they've received a loan?**

By the nature of its mission, Kiva closely tracks and disseminates information about its impact on loan recipients, communities, and partner organizations. In fact, one of Kiva's innovative features is a commitment to propagate such metrics to a wide audience, as we believe those metrics make a powerful case for action.

In addition to/in conjunction with surveys Kiva's partner organizations may already administer, Kiva's field staff interview and work with loan recipients (and other community members, as a control group) to answer questions before, throughout, and after a loan cycle to assess standard of living, attitude, work levels, etc.

Kiva has yet to begin its metrics and tracking system officially, but by January 2006 plans to implement it. For the time being, we are putting all of our energies into proving the "sponsor a business" concept and getting new lenders involved.

Sourced from co-founder Jessica Flannery's research and work in East Africa, some questions we will include in our metrics system will include: How many people depend on the income from this business? How frequently can this family eat meat or fish? ...have sugar in their tea? How many school-aged children are in school? Does the family have access to malaria medication? ...a doctor? ...a clinic? What bedding is used (reed mat vs. mattress; blankets; mosquito nets)? Is the family's home permanent (concrete) or semi-permanent (mud)? What land and animals does the family own? Does the entrepreneur have plans to grow her/his business? (Note: These questions are specific to East Africa. If and when Kiva expands to other areas of the world, we will work with new partners to create equally relevant metrics surveys.)

It is also important to us to measure the impact Kiva is having on its lenders. Because we aim to encourage a more informed, empathic global community in the process of funding more microloan recipients, we get feedback from many Kiva lenders at the onset, during, and at the end of their involvement. Through this feedback, we ask questions to gauge lenders' knowledge of and empathy for life in the developing world. For instance, we may ask about their past charitable giving and socially-responsible investing, their involvement with internationally focused nonprofits, their knowledge of the standard of living in the area of their sponsored businesses, etc.

**About our unique niche in the microfinance space****What is microfinance?**

Microfinance - the provision of financial services to those excluded from the formal financial system - at particularly underserved microloan recipients effectively boost the income producing capacity of small

particular, microcredit/microloan programs effectively boost the income-producing capabilities of small businesses run by the self-employed poor and vulnerable non-poor (those hovering just above the poverty line but lacking savings or insurance, and dangerously susceptible to sudden changes in their financial environment).

As you may know, half the world's population lives on less than \$2 a day. Most of these people live in developing countries and are self-employed. Raising the income of self-employed poor and vulnerable poor strategically fights poverty.

It is also important to note that even though several thousand microfinance institutions exist, demand still vastly exceeds supply: the nearly 30 million existing microcredit borrowers represent only 6-10% of those who need such credit and related financial services.

#### **Can microfinance really help alleviate poverty?**

Absolutely. Microcredit borrowers regularly increase their business' sales and profits by 25% to 40%, and repay their loans at impressively high rates - around 95%.

Financially supporting the work of indigenous entrepreneurs is one of the best ways to empower people living in poverty to become economically independent. This economic independence leads to improved standards of living for the entrepreneurs, their families, and their communities.

#### **Why are microfinance interest rates so high?**

We found the best, most concise answer to this question on the Unitus.com website: "Providing microfinance services is expensive, largely due to the transaction-intensive nature of the business. It is important to remember that, while microfinance interest rates of 30% to 70% may sound high, they are significantly lower than the 300% to 3,000% rates charged by money lenders who are typically the only source of capital prior to a microfinance institution's existence." Kiva, because of its low overhead costs, is able to work with partners who charge 10% or less interest. Kiva has never charged more than 10% interest to a business it helps start.

#### **How is Kiva different from other organizations?**

Currently, there is no organization which offers individuals the ability for people to loan to specific entrepreneurs in the developing world.

As stated above, there are a large number of microfinance organizations. A few leading examples are Grameen Bank, Opportunity International, Accion, and FINCA, among others. However, it is not in the mission of such groups to solicit loans from the general public to help fund loans to the poor through the microcredit programs they run.

In addition, there are a few organizations that offer individuals the ability to invest in funds that serve the poor. The most notable example is The Calvert Foundation. The Calvert Foundation has created investment funds invested in the microfinance industry. These funds differ from the product Kiva offers in the following ways:

- 1) They are not attached to a specific business in the developing world
- 2) They do not come with the ongoing interaction associated with our "sponsor a business" option
- 3) They operate as investments, not loans
- 4) They offer a small yearly yield

#### **Who are Kiva's partners?**

Kiva partners with existing microfinance institutions and related organizations in the field to source loan recipients and to help manage the loan process.

Currently Kiva has just one partner, Village Enterprise Fund. See our Partners section for more information.

#### **Why does Kiva work with partners?**

Kiva admires the work of many successful microfinance institutions, and recognizes the value of their expertise, infrastructure, social network, proven methodologies, etc. Thus, Kiva chooses to work with existing organizations when possible. Kiva views itself as part microfinance institutions itself, and part innovative marketing and fundraising technology organization.

#### **Why loans and not (just) donations?**

Over the last three decades, microfinance has proven to be an effective tool in raising the standard of living in impoverished communities. Up to now, there has not existed a way for individuals in developed countries to participate directly in this exciting movement. Kiva believes individuals in developed countries will find loaning to be a more rewarding and sustainable form of involvement in international development than traditional giving. In other words, when you receive your original loan amount back, you are more likely to loan again than if you simply made a donation.