



KIVA MICROFUNDS AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEARS ENDED DECEMBER 31, 2014 AND 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Kiva Microfunds and Subsidiary
San Francisco, California

We have audited the accompanying consolidated financial statements of Kiva Microfunds and Subsidiary, (collectively "Kiva"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kiva Microfunds and Subsidiary as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the 2014 consolidated financial statements as a whole. The consolidating statements of financial position as of December 31, 2014, and the related consolidating statements of activities and cash flows for the year then ended (pages 21-23) are presented for purposes of additional analysis and are not a required part of the 2014 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 consolidated financial statements. The information for 2014 has been subjected to the auditing procedures applied in the audit of the 2014 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the 2014 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the consolidated information is fairly stated in all material respects in relation to the 2014 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Abbott, Shingler & Lynch". The signature is written in a cursive, flowing style.

August 20, 2015

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	December 31,	
	2014	2013
Current assets:		
Cash and cash equivalents	\$ 7,560,750	\$ 4,154,297
Cash restricted as to use	152,774	152,622
Funds held in trust	18,889	27,721
Investments	4,076,786	6,137,423
Pledges and grants receivable, current	23,123	250,004
Unapplied funds	33,556	33,303
Due from affiliate	450,553	372,998
Beneficial interest in trusts	420,000	-
Prepaid expenses and other assets	576,445	575,383
	13,312,876	11,703,751
Property and equipment, net of accumulated depreciation and amortization	3,374,358	3,970,869
Other assets:		
Pledges and grants receivable, less current portion and net of discounts	448,145	444,455
Temporarily restricted assets - Kiva-DAF, LLC:		
Cash and cash equivalents	-	611
Investments	-	3,524,507
Pledges and grants receivable	-	3,525,000
Donor-advised funds for microloans	7,536,429	-
Intangible asset	25,000	25,000
Other assets	56,927	56,927
	8,066,501	7,576,500
	\$ 24,753,735	\$ 23,251,120

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 260,841	\$ 271,799
Accrued expenses	760,251	605,707
Other current liabilities	26,882	15,397
	1,047,974	892,903
Deferred rent obligation	163,188	199,964
Net assets:		
Unrestricted	12,984,338	12,480,035
Temporarily restricted	10,558,235	9,678,218
	23,542,573	22,158,253
Total liabilities and net assets	\$ 24,753,735	\$ 23,251,120

See accompany independent auditors' report and notes to consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended December 31,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Online donations	\$ 7,915,316	\$ -	\$ 7,915,316	\$ 6,739,273	\$ -	\$ 6,739,273
Auto-converted Kiva Cards	1,041,980	-	1,041,980	1,268,200	-	1,268,200
Auto-converted user accounts	806,749	-	806,749	1,915,197	-	1,915,197
Foundation contributions	287,000	1,947,000	2,234,000	763,359	150,051	913,410
Corporate contributions	510,839	1,839,265	2,350,104	829,623	7,890,764	8,720,387
Individual contributions	1,360,392	692,538	2,052,930	655,657	247,337	902,994
Fees for service revenue	149,745	-	149,745	240,137	-	240,137
Interest income	48,808	-	48,808	54,267	-	54,267
Dividend income	19,701	-	19,701	27,762	-	27,762
Unrealized/realized gain (loss) on investments	37,124	-	37,124	(87,287)	-	(87,287)
Other (loss) income	(1,624)	-	(1,624)	1,511	-	1,511
Net assets released from restrictions	3,598,786	(3,598,786)	-	2,865,680	(2,865,680)	-
Total revenue and support	15,774,816	880,017	16,654,833	15,273,379	5,422,472	20,695,851
In-kind donations:						
Technology	949	-	949	6,262	-	6,262
Services	2,028,186	-	2,028,186	1,956,464	-	1,956,464
Use of facilities	-	-	-	4,700	-	4,700
Total in-kind donations	2,029,135	-	2,029,135	1,967,426	-	1,967,426
Total revenue and support including in-kind donations	17,803,951	880,017	18,683,968	17,240,805	5,422,472	22,663,277
Functional expenses:						
Program services	13,887,219	-	13,887,219	13,787,450	-	13,787,450
Management and general	2,278,444	-	2,278,444	2,082,038	-	2,082,038
Fundraising	1,133,985	-	1,133,985	884,174	-	884,174
Total functional expenses	17,299,648	-	17,299,648	16,753,662	-	16,753,662
Change in net assets	504,303	880,017	1,384,320	487,143	5,422,472	5,909,615
Net assets, beginning of year	12,480,035	9,678,218	22,158,253	11,992,892	4,255,746	16,248,638
Net assets, end of year	\$ 12,984,338	\$ 10,558,235	\$ 23,542,573	\$ 12,480,035	\$ 9,678,218	\$ 22,158,253

See accompany independent auditors' report and notes to consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Years Ended December 31,							
	2014				2013			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel expenses:								
Salaries	\$ 5,974,685	\$ 532,050	\$ 548,188	\$ 7,054,923	\$ 5,697,620	\$ 543,765	\$ 387,334	\$ 6,628,719
Payroll taxes	649,221	51,278	53,306	753,805	586,033	58,904	41,947	686,884
Benefits	1,043,152	128,155	95,531	1,266,838	1,015,521	180,710	71,163	1,267,394
Total personnel expenses	7,667,058	711,483	697,025	9,075,566	7,299,174	783,379	500,444	8,582,997
Other functional expenses:								
In-kind expenses	1,839,495	197,305	15,531	2,052,331	1,581,679	369,558	6,692	1,957,929
Contractors	487,660	469,902	15,600	973,162	338,464	231,798	9,711	579,973
Professional fees	46,899	356,275	2,929	406,103	60,210	83,798	36,081	180,089
Occupancy	587,375	58,624	51,714	697,713	599,099	55,278	38,979	693,356
Depreciation and amortization	2,252,965	210,843	216,542	2,680,350	2,162,236	217,222	165,796	2,545,254
Information technology	237,985	101,022	19,195	358,202	250,969	83,492	18,573	353,034
Marketing and communications	107,564	950	15,047	123,561	220,421	55,599	12,500	288,520
Promotional loan funding	-	-	-	-	425,000	-	-	425,000
Portfolio related expenses	111,412	997	-	112,409	277,722	-	-	277,722
Volunteer program	-	-	-	-	74,882	-	-	74,882
Travel, conferences, and meetings	234,976	-	68,547	303,523	121,793	7,495	55,128	184,416
Bank fees	5,151	64,703	-	69,854	26,409	36,879	-	63,288
Insurance	90,662	-	9,123	99,785	55,493	3,875	1,981	61,349
Other expenses	37,913	7,850	2,166	47,929	44,584	12,872	4,275	61,731
Office expense	84,024	42,896	2,394	129,314	121,151	41,427	5,989	168,567
Phones and internet	35,757	3,477	3,866	43,100	33,041	2,972	2,684	38,697
Staff development	38,711	51,991	630	91,332	2,115	92,554	1,713	96,382
External events	21,612	126	13,676	35,414	93,008	3,840	23,628	120,476
Total other functional expenses	6,220,161	1,566,961	436,960	8,224,082	6,488,276	1,298,659	383,730	8,170,665
Total functional expenses	\$ 13,887,219	\$ 2,278,444	\$ 1,133,985	\$ 17,299,648	\$ 13,787,450	\$ 2,082,038	\$ 884,174	\$ 16,753,662

See accompany independent auditors' report and notes to consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

	Year Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 1,384,320	\$ 5,909,615
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,680,350	2,545,254
Unrealized/realized (gain) loss on investments	(37,124)	87,287
Changes in operating assets and liabilities:		
Cash restricted as to use	(152)	3,481,447
Funds held in trust	8,832	(26,832)
Pledges and grants receivable, net of discounts	3,748,191	(3,450,342)
Unapplied funds	(253)	34,794
Due from affiliate	(77,555)	(109,726)
Beneficial interest in trusts	(420,000)	-
Prepaid expenses and other assets	(1,062)	(155,869)
Accounts payable	(10,958)	42,278
Accrued expenses	154,544	78,138
Other current liabilities	11,485	(3,267)
Deferred rent obligation	(36,776)	29,172
	7,403,842	8,461,949
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(8,296,901)	(20,843,898)
Proceeds from sale of investments	13,919,169	11,094,681
Donor-advised funds for microloans, net of repayments	(7,536,429)	-
Purchases of property and equipment	(44,526)	(60,420)
Capitalization of website and internet platform software development costs	(2,039,313)	(2,691,681)
	(3,998,000)	(12,501,318)
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	3,405,842	(4,039,369)
Cash and cash equivalents, beginning of year	4,154,908	8,194,277
Cash and cash equivalents, end of year	\$ 7,560,750	\$ 4,154,908

See accompany independent auditors' report and notes to consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 1 - Nature of operations

Kiva Microfunds (referred hereinafter as "Kiva") is a nonprofit, tax-exempt organization founded in 2005 to connect people through lending for the sake of alleviating poverty and creating opportunity. Kiva empowers individuals to lend to low-income borrowers around the world. Kiva partners with approximately 290 active global Microfinance Institutions ("MFIs") and other socially minded organizations and enterprises in seventy-seven (77) countries. Partner organizations are responsible for selecting borrowers, reviewing the loan applications, and uploading the loan requests to Kiva's website once they have approved the loans. When the loan funds are raised, Kiva sends the money (via a net billing process) to the partner, which uses the funds to replenish the loan that has been pre-disbursed to the borrower, and administers the loan. To date, Kiva has facilitated approximately US \$636 million in loans from lenders through the website. Kiva is supported primarily through individual and corporate contributions and grants from foundations.

KIVA User Funds LLC (referred hereinafter as "KUF") was established to hold user funds in several pooled accounts for the benefit of the applicable users who have transactional credits (e.g., funds deposited by a lender to make a microloan or repayments made to a lender by a borrower). The lending activities that take place on Kiva's website are transacted through the KUF accounts in order to maintain a separation between the two entities' holdings and ensure that funds belonging to KUF's users are distinct from funds that are designated for Kiva's operations. KUF is a California Limited Liability Company whose sole member is Kiva.

Funds of KUF's users are held in FBO ("for the benefit of") bank accounts at Wells Fargo Bank. KUF maintains the FBO accounts, which are held separate and apart from the operational funds accounts of Kiva. Kiva performs administrative functions and record-keeping duties that reflect individual user balances and transactions (such as microloans made or repayments received) relating to KUF's users' participation utilizing the Kiva platform, and accounts for the users' corresponding funds held in, or transacted via, the FBO accounts.

During 2013, Kiva-DAF, LLC (referred hereinafter as "KDAF") was established to serve as a holder of multiple donor-advised funds. KDAF is a Delaware Limited Liability Company whose sole member is Kiva. Kiva intends to use KDAF to seek charitable donations from corporations, foundations and high net worth individuals, where they are able to identify a limited group of individuals, generally their own employees to serve as donor-advisors ("Advisors") over the funds. By doing so, this creates a mutually beneficial result, as the donors are able to obtain a charitable deduction and Kiva will both expand the immediate scope of its microloan program and bring on a new group of individuals who will gain familiarity with the Kiva system.

Upon entering each donor-advised fund agreement, KDAF would deposit the donated funds into a separate purpose investment account. These funds would then be transferred to KUF to facilitate loans. Donors appoint Advisors who would then select loans on the Kiva platform in the same manner an individual lender would do. Alternatively, donors would be allowed to advise on specific parameters for Kiva to use in directing funds from KDAF to match loans made by other lenders. In each case donated funds would, at the sole discretion of Kiva, be transferred to the MFI as advised by the donor or Advisors subject to IRS regulations.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 1 - Nature of operations (continued)

In 2011, Kiva launched Zip, a pilot program to allow Kiva users to fund loans that are disbursed directly to borrowers, without being channeled through a field partner. Zip currently operates in the U.S. and Kenya, where mobile payment technology is available. The Zip model relies on “character based lending” to evaluate credit-worthiness. In order to be posted on the Zip website, borrowers generally must be recommended by a Zip trustee. In the U.S., borrowers are also required to raise a specified amount of loan funds from friends and family before being posted on the Zip website. Zip borrowers are not charged interest or fees on their loans. Zip transactions flow through KUF. Disbursement of loans, and collection and distribution of repayments is managed by Kiva. Zip maintains separate bank accounts from Kiva and KUF. As of December 31, 2014, approximately 7,000 Zip loans with a value of approximately \$5.8 million had been funded since inception.

Note 2 - Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Kiva Microfunds and Kiva-DAF, LLC (collectively “Kiva”). All significant balances and transactions between the entities have been eliminated in consolidation.

Basis of accounting

The consolidated financial statements of Kiva have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial statement presentation

The accompanying consolidated financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Unrestricted net assets - are neither permanently restricted nor temporarily restricted by donor imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of Kiva and the purposes specified in its articles of incorporation or bylaws.

Temporarily restricted net assets - result from contributions and other inflows of assets whose use by Kiva is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of Kiva pursuant to those stipulations.

Permanently restricted net assets - result from contributions and other inflows of assets whose use by Kiva is permanently restricted by the donor, which require the assets to be maintained in perpetuity but permit the organization to expend all or part of the income derived from the donated assets. At December 31, 2014 and 2013, Kiva had no permanently restricted net assets.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 2 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include discounts on long-term pledge receivables, valuation of investments, useful lives of property and equipment, and the default rate on managed lending contracts. Actual results could differ from those estimates.

Cash and cash equivalents

Kiva considers cash on deposit and temporary investments with financial institutions with an original maturity of three months or less at the time of purchase to be cash equivalents.

Pledges and grants receivable

Kiva records pledges and grants receivable, net of discounts, when there is sufficient evidence in the form of verifiable documentation that a promise was made and received. Pledges receivable include loan repayment amounts which are promised to Kiva post completion of designated lending cycles (referred to as “managed lending contracts”) in the KUF system. These pledges are discounted to reflect the default rate on the KUF lending platform.

Kiva discounts receivables that are expected to be collected in future periods using an appropriate discount rate commensurate with the risks involved. Kiva used the five year Treasury bond rate of approximately 1.75% for the years ended December 31, 2014 and 2013 to record the discount.

Donor-advised funds for microloans

Donor-advised funds for microloans represent amounts transferred from KDAF to KUF to facilitate loans. As discussed in Note 1, the donor appointed Advisors select the type of loans, loan matching programs, and the duration of the overall lending cycle(s), all in accordance with the terms and conditions of the respective donor-advised fund agreement. Amounts as of December 31, 2014 represent funds deployed as loans net of repayments, as well as funds available for lending.

Revenue and cost recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. Such contributions required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 2 - Summary of significant accounting policies (continued)

Revenue and cost recognition (continued)

Kiva earns revenue from a variety of sources. Online donations are contributions made by lenders through Kiva's online lending platform. Kiva Card Auto-conversion revenue is recognized when a Kiva Card holder fails to redeem a Kiva Card that includes a provision for an auto-conversion-to-donation after a 12-month period, and becomes a donation to Kiva at that point in time. KUF user accounts that have been inactive for a period of four years after the last loan transaction, and after repeated effort to find the user to return their funds, are auto converted as a donation to Kiva based on the terms of the users' account agreement. Revenue is also earned through contributions and grants from foundations, corporations, and individual donors.

In-kind support

Kiva records various types of in-kind support including professional services, and donations and use of tangible assets. Contributed professional services are recognized if the services received: (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets or the use thereof is recognized when promised or received, whichever is earlier. The amounts reflected in the accompanying consolidated financial statements as in-kind support are offset by like amounts included in expenses or in the case of long-term assets, over the period benefited.

Additionally, Kiva receives a significant amount of contributed time from volunteers, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying consolidated financial statements.

Investments

Investments in marketable securities are stated at fair market value based on quoted market prices. Investment income (including interest and dividends) and unrealized gains and losses are reflected in the consolidated statement of activities as increases or decreases in unrestricted net assets unless their use has been temporarily restricted by donors.

Property, equipment, depreciation and amortization

Kiva capitalizes property and equipment acquisitions over \$1,000. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three to seven years. Leasehold improvements are amortized over the shorter of the asset life or the remaining lease term. Gifts of property and equipment are reported as unrestricted support unless the donor stipulates specifically how the donated asset must be used.

Kiva develops and maintains an in-house internet platform software to enable lending and other on-line donation activities. Personnel costs including payroll taxes, workers compensation, and benefit allocations associated with the development of the software are capitalized and amortized using the straight-line method over three years. The allocation of personnel costs is based on development time spent and is evaluated on a quarterly basis.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 2 - Summary of significant accounting policies (continued)

Intangible asset

Kiva capitalized the costs incurred to obtain Kiva's website domain name. Kiva has determined the domain name has an indefinite useful life and as of December 31, 2014, has recorded no amortization.

Impairment of long-lived assets

Kiva reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Tax exempt status

Kiva is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Accordingly, no provisions for income taxes or related credits are included in these financial statements.

Kiva has adopted the accounting standard related to uncertainties in income taxes. Management has considered its tax positions and believes that all of the positions taken by Kiva in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination; therefore, no liability for unrecognized income tax benefits has been recorded as of December 31, 2014 and 2013. Kiva is subject to examination by a major tax jurisdiction back to 2011.

Promotional loan funding expense

In conjunction with the efforts of Kiva to increase the KUF lender base, Kiva will expend funds on a periodic basis to be used for creating and offering promotional loans that can be utilized by users. All such funds will be used for this purpose on a revolving basis to users only. Users are not allowed to withdraw these funds.

Functional allocation of expenses

The costs of providing various program services, management and general expenses, and fundraising expenses have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services provided. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of Kiva.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 2 - Summary of significant accounting policies (continued)

Accounting for ownership interest in KUF

Though Kiva is the sole member of KUF, a California Limited Liability Company ("LLC"), Kiva has not consolidated KUF's assets and liabilities in these consolidated financial statements. Kiva does not retain the rights, obligations, or benefits typically afforded to a sole member of an LLC and, therefore, has elected to account for its investment in KUF on the equity basis. As of December 31, 2014 and 2013, KUF's equity balance is zero, and therefore no investment in KUF is reflected within the consolidated statements of financial position of Kiva.

KUF's balance sheets consisted of the following at December 31, 2014 and 2013:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
	<u>(audited)</u>	<u>(unaudited)</u>
Cash	\$ 57,612,186	\$ 50,406,955
Accounts receivable	44,415	285,464
Loans	<u>72,940,932</u>	<u>57,927,324</u>
Total assets	<u>\$130,597,533</u>	<u>\$108,619,743</u>
Accounts payable	\$ 22,321	\$ 122,834
Due to Kiva Microfunds	450,553	371,928
Unsettled loan transactions	87,708,627	71,973,302
Funds held on behalf of lenders	40,672,912	33,860,854
Unredeemed gift cards	<u>1,743,120</u>	<u>2,290,825</u>
Total liabilities	<u>\$130,597,533</u>	<u>\$108,619,743</u>

Reclassification

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation. These reclassifications have no effect on net assets or changes in net assets.

Subsequent events

In preparing its consolidated financial statements, Kiva has evaluated subsequent events through August 20, 2015, which is the date the consolidated financial statements were available to be issued.

Note 3 - Restricted cash

Cash restricted as to use represents segregated funds in the amount of \$152,774 and \$152,622 for the years ended December 31, 2014 and 2013, respectively, to support the letter of credit issued on July 28, 2011 related to the operating lease agreement for the main office.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 4 - Investments

Investments consisted of the following as of December 31, 2014 and 2013:

	December 31,	
	2014	2013
Certificates of deposit	\$ 4,075,792	\$ -
Equity securities	994	-
Fixed income securities:		
U.S. Treasury bills	-	7,523,746
Government bond fund	-	1,085,787
Municipal bond	-	1,052,397
	<u>\$ 4,076,786</u>	<u>\$ 9,661,930</u>

Unrestricted investment income (loss) generated from Kiva's investments is comprised of the following for the year ended December 31, 2014 and 2013:

	December 31,	
	2014	2013
Dividends and interest	\$ 25,177	\$ 32,178
Net realized and unrealized gain (loss)	37,124	(87,287)
	<u>\$ 62,301</u>	<u>\$ (55,109)</u>

Note 5 - Pledges and grants receivable

Promises to give are scheduled to be realized in the following periods:

	December 31,	
	2014	2013
Less than one year	\$ 23,123	\$ 3,775,004
One to five years	449,645	447,645
Less discounts	(1,500)	(3,190)
Total pledges and grants receivable - noncurrent portion, net of discounts	<u>448,145</u>	<u>444,455</u>
Total pledges and grants receivable, net of discounts	<u>\$ 471,268</u>	<u>\$ 4,219,459</u>

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 6 - Beneficial interest in trusts

Kiva is the beneficiary of two trusts where a third party serves as trustee. Under the terms of each trust, Kiva is entitled to 14% of the principal and interest distributions made by the trusts. During 2014, Kiva was informed by the trustee that both trusts will be making distributions of principal and interest in 2015. Based on the total assets held in each trust as of December 31, 2014, Kiva estimated the expected 2015 distributions to total \$420,000, and this amount is reflected as a beneficial interest in trusts in Kiva's consolidated statements of financial position.

Subsequent to the year ended December 31, 2014, Kiva received \$280,000 from the trustee.

Kiva is also a beneficiary of a revocable trust where a third party serves as trustee. As of May 2014, the trust has become irrevocable due to the death of the grantor. Under the terms of this trust, Kiva is entitled to 6% of the principal and interest distributions made by the trust. However, the trust assets are currently under the custody of the California Probate Court. The value of Kiva's interest in this trust is not readily determinable, and is not reflected in Kiva's consolidated statements of financial position as of December 31, 2014.

Note 7 - Property and equipment

Property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 175,070	\$ 167,993
Office furniture and fixtures	125,563	125,563
Computer equipment	809,507	771,684
Website and internet platform software development costs	<u>12,119,350</u>	<u>10,080,037</u>
	13,229,490	11,145,277
Less accumulated depreciation and amortization	<u>(9,855,132)</u>	<u>(7,174,408)</u>
	<u>\$ 3,374,358</u>	<u>\$ 3,970,869</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$2,680,350 and \$2,545,254, respectively.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes:

	December 31, 2013	Additions	Released From Restrictions	December 31, 2014
Geographical	\$ 143,217	\$ 1,773,000	\$ (1,143,946)	\$ 772,271
Product innovation	9,018,564	1,601,265	(1,859,306)	8,760,523
Time restricted	516,437	1,104,538	(595,534)	1,025,441
	<u>\$ 9,678,218</u>	<u>\$ 4,478,803</u>	<u>\$ (3,598,786)</u>	<u>\$ 10,558,235</u>

	December 31, 2012	Additions	Released From Restrictions	December 31, 2013
Geographical	\$ 345,590	\$ 413,000	\$ (615,373)	\$ 143,217
Product innovation	3,191,039	7,550,000	(1,722,475)	9,018,564
Time restricted	719,117	325,152	(527,832)	516,437
	<u>\$ 4,255,746</u>	<u>\$ 8,288,152</u>	<u>\$ (2,865,680)</u>	<u>\$ 9,678,218</u>

Note 9 - Commitments and contingencies

Lease agreements

In November 2011, Kiva entered into an operating lease agreement for office space which expires in March 2017. The lease agreement calls for minimum monthly lease payments beginning at \$43,307, and includes five months of rent abatement along with escalating rent payments beginning December 2012, and increasing annually thereafter. Kiva is recording rent expense on a straight-line basis, and has recorded a deferred rent liability of \$148,717 and \$189,097 as of December 31, 2014 and 2013, respectively.

In November 2012, Kiva entered into an operating lease agreement for office space in Nairobi, Kenya which expires in November 2018. The lease agreement calls for minimum monthly lease payments beginning at \$2,695 with escalating rent payments beginning December 2014, and increasing bi-annually thereafter. Kiva is recording rent expenses on a straight-line basis, and has recorded a deferred rent liability of \$14,471 and \$10,867 as of December 31, 2014 and 2013, respectively.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 9 - Commitments and contingencies (continued)

Future minimum lease payments required under the noncancellable facility leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2015	\$ 609,411
2016	625,495
2017	189,724
2018	<u>39,199</u>
	<u>\$ 1,463,829</u>

Rent expense, which includes Kiva's portion of common area expenses, amounted to \$577,991 and \$523,057 for the years ended December 31, 2014 and 2013, respectively.

Note 10 - Fair value measurements

Kiva measures and discloses fair value measurements as required by the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability.

As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Valuations based on observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 10 - Fair value measurements (continued)

Fair values of assets measured on a recurring basis as of December 31, 2014 approximates their recorded book values, and are all considered to be Level 1 assets.

Fair values of assets measured on a recurring basis as of December 31, 2013 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Fixed income securities:				
U.S. Treasury bills	\$ 7,523,746	\$ 7,523,746	\$ -	\$ -
Government bond fund	1,085,787	1,085,787	-	-
Municipal bond	1,052,397	1,052,397	-	-
Total investments at fair value	\$ 9,661,930	\$ 9,661,930	\$ -	\$ -

Note 11 - Related party transactions

During the years ended December 31, 2014 and 2013, certain members of Kiva's Board of Directors and Advisory Board and/or their companies, made pledges to Kiva to help fund its mission. This contribution revenue totaled \$25,000 and \$17,539 for the years ended December 31, 2014 and 2013, respectively.

During 2014, as a result of the departure of Kiva's President, Kiva contracted with one current Board member in an executive level advisory role. The contract is for a fixed monthly fee of \$16,667. Kiva paid approximately \$167,000 during the year ended December 31, 2014 for advisory services. The current amount owed to this Board member under this contract totaled \$16,666 at December 31, 2014.

Note 12 - Employee retirement plan

Kiva has a 401(k) Plan (the "Plan") for employees who meet certain service and eligibility requirements. Each eligible employee may elect to contribute to the Plan, and Kiva may make matching and/or discretionary contributions. All matching and/or discretionary amounts fully vest upon contribution. During the years ended December 31, 2014 and 2013, matching and discretionary contributions of \$215,349 and \$213,310, respectively, were made to the Plan.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Note 13 - KIVA User Funds LLC bank account

As discussed in Note 1, KUF maintains FBO accounts, which are held separate and apart from the operational fund accounts of Kiva. Kiva is entitled to the interest earned on the funds held in the FBO accounts, pursuant to the binding terms of use with individual users at the time a user account is established. Kiva is also entitled to the auto-converted donations from Kiva Cards held in these accounts, and online donations intended for Kiva that are processed from these accounts.

Interest income, donations from auto-converted Kiva Cards, and online donations disbursed from these bank accounts for the years ended December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	2013
Interest income	\$ 43,332	\$ 49,851
Auto-converted Kiva Cards	\$ 1,041,980	\$ 1,268,200
Online donations	\$ 7,915,316	\$ 6,739,273

Note 14 - Concentrations

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject Kiva to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and pledges and grants receivable.

Kiva maintains its cash and cash equivalents and investment accounts with high-credit, quality financial institutions. Kiva believes its credit policies do not result in significant adverse risk, and historically has not experienced significant credit-related losses.

For the year ended December 31, 2014, Kiva did not have a significant grantor that represented more than 10% of total revenue and support. Kiva had outstanding receivables from two grantors that represented 12% and 11% of pledges and grants receivable as of December 31, 2014. During 2013, Kiva had grants from one significant grantor that represented 34% of total revenue and support, and 35% of pledges and grants receivable.

Pledges and grants receivable represent amounts committed by donors that have not been received. Kiva makes judgments as to the ability to collect all of its outstanding receivables and provides allowances for amounts when collection becomes doubtful. Provisions are made based upon a specific review of past due and other outstanding balances for which collection is considered uncertain. At December 31, 2014 and 2013, no allowance for uncollectible pledges and grants receivable has been recognized.

SUPPLEMENTAL INFORMATION

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF ACTIVITIES

Year Ended December 31, 2014

	Kiva Microfunds			Kiva-DAF, LLC			Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:									
Online donations	\$ 7,915,316	\$ -	\$ 7,915,316	\$ -	\$ -	\$ -	\$ 7,915,316	\$ -	\$ 7,915,316
Auto-converted Kiva Cards	1,041,980	-	1,041,980	-	-	-	1,041,980	-	1,041,980
Auto-converted user accounts	806,749	-	806,749	-	-	-	806,749	-	806,749
Foundation contributions	287,000	1,947,000	2,234,000	-	-	-	287,000	1,947,000	2,234,000
Corporate contributions	510,839	988,000	1,498,839	-	851,265	851,265	510,839	1,839,265	2,350,104
Individual contributions	1,360,392	692,538	2,052,930	-	-	-	1,360,392	692,538	2,052,930
Fees for service revenue	149,745	-	149,745	-	-	-	149,745	-	149,745
Operating fee	328,230	-	328,230	(328,230)	-	(328,230)	-	-	-
Interest income	48,759	-	48,759	49	-	49	48,808	-	48,808
Dividend income	19,608	-	19,608	93	-	93	19,701	-	19,701
Unrealized/realized gain (loss) on investments	36,631	-	36,631	493	-	493	37,124	-	37,124
Other income (loss)	6,402	-	6,402	(8,026)	-	(8,026)	(1,624)	-	(1,624)
Net assets released from restrictions	3,270,556	(3,270,556)	-	328,230	(328,230)	-	3,598,786	(3,598,786)	-
Total revenue and support	15,782,207	356,982	16,139,189	(7,391)	523,035	515,644	15,774,816	880,017	16,654,833
In-kind donations:									
Technology	949	-	949	-	-	-	949	-	949
Services	2,028,186	-	2,028,186	-	-	-	2,028,186	-	2,028,186
Total in-kind donations	2,029,135	-	2,029,135	-	-	-	2,029,135	-	2,029,135
Total revenue and support including in-kind donations	17,811,342	356,982	18,168,324	(7,391)	523,035	515,644	17,803,951	880,017	18,683,968
Functional expenses:									
Program services	13,887,219	-	13,887,219	-	-	-	13,887,219	-	13,887,219
Management and general	2,278,444	-	2,278,444	-	-	-	2,278,444	-	2,278,444
Fundraising	1,133,985	-	1,133,985	-	-	-	1,133,985	-	1,133,985
Total functional expenses	17,299,648	-	17,299,648	-	-	-	17,299,648	-	17,299,648
Change in net assets	511,694	356,982	868,676	(7,391)	523,035	515,644	504,303	880,017	1,384,320
Net assets, beginning of year	12,479,917	2,628,218	15,108,135	118	7,050,000	7,050,118	12,480,035	9,678,218	22,158,253
Net assets, end of year	\$ 12,991,611	\$ 2,985,200	\$ 15,976,811	\$ (7,273)	\$ 7,573,035	\$ 7,565,762	\$ 12,984,338	\$ 10,558,235	\$ 23,542,573

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2014

	Kiva Microfunds	Kiva-DAF, LLC	Eliminations	Consolidated
Cash flows from operating activities:				
Change in net assets	\$ 868,676	\$ 515,644	\$ -	\$ 1,384,320
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation and amortization	2,680,350	-	-	2,680,350
Unrealized/realized gain on investments	(36,631)	(493)	-	(37,124)
Changes in operating assets and liabilities:				
Cash restricted as to use	(152)	-	-	(152)
Funds held in trust	8,832	-	-	8,832
Pledges and grants receivable, net of discounts	223,191	3,525,000	-	3,748,191
Unapplied funds	(253)	-	-	(253)
Due from affiliate	(77,555)	-	-	(77,555)
Beneficial interest in trusts	(420,000)	-	-	(420,000)
Prepaid expenses and other assets	(1,062)	(29,333)	29,333	(1,062)
Accounts payable	(10,958)	-	-	(10,958)
Accrued expenses	154,544	-	-	154,544
Deferred revenue	29,333	-	(29,333)	-
Other current liabilities	11,485	-	-	11,485
Deferred rent obligation	(36,776)	-	-	(36,776)
Net cash provided by (used in) operating activities	3,393,024	4,010,818	-	7,403,842
Cash flows from investing activities:				
Purchases of investments	(8,296,759)	(142)	-	(8,296,901)
Proceeds from sale of investments	10,394,027	3,525,142	-	13,919,169
Donor-advised funds for microloans, net of repayments	-	(7,536,429)	-	(7,536,429)
Purchases of property and equipment	(44,526)	-	-	(44,526)
Capitalization of website and internet platform software development costs	(2,039,313)	-	-	(2,039,313)
Net cash provided by investing activities	13,429	(4,011,429)	-	(3,998,000)
Net increase (decrease) in cash and cash equivalents	3,406,453	(611)	-	3,405,842
Cash and cash equivalents, beginning of year	4,154,297	611	-	4,154,908
Cash and cash equivalents, end of year	<u>\$ 7,560,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,560,750</u>