



KIVA MICROFUNDS AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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 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, 2015 and 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the 2015 consolidated financial statements as a whole. The consolidating statements of financial position as of December 31, 2015, 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 2015 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 2015 consolidated financial statements. The information for 2015 has been subjected to the auditing procedures applied in the audit of the 2015 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 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 2015 consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Abbott, Shingler & Lynch".

May 10, 2016

KIVA MICROFUNDS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	December 31,	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 7,509,058	\$ 7,594,306
Cash restricted as to use	152,877	152,774
Funds held in trust	-	18,889
Investments	4,626,016	4,076,786
Pledges and grants receivable, current	667,818	23,123
Due from affiliate, current	486,127	450,553
Beneficial interest in trusts	165,766	420,000
Prepaid expenses and other assets	565,613	576,445
Total current assets	14,173,275	13,312,876
Property and equipment, net of accumulated depreciation and amortization	3,089,161	3,374,358
Other assets:		
Pledges and grants receivable, less current portion and net of discounts	1,835,399	448,145
Due from affiliate, net of loan loss reserve and discount	477,491	-
Temporarily restricted assets - Kiva-DAF, LLC:		
Donor-advised funds for microloans	8,975,983	7,536,429
Intangible asset	25,000	25,000
Deposits	56,927	56,927
Total other assets	11,370,800	8,066,501
	\$ 28,633,236	\$ 24,753,735

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 343,732	\$ 260,841
Accrued expenses	757,161	760,251
Other current liabilities	37,287	26,882
Total current liabilities	1,138,180	1,047,974
Deferred rent obligation	105,217	163,188
Net assets:		
Unrestricted	12,812,405	12,984,338
Temporarily restricted	14,577,434	10,558,235
Total net assets	27,389,839	23,542,573
Total liabilities and net assets	\$ 28,633,236	\$ 24,753,735

KIVA MICROFUNDS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Online donations	\$ 8,287,055	\$ -	\$ 8,287,055	\$ 7,915,316	\$ -	\$ 7,915,316
Auto-converted Kiva Cards	852,870	-	852,870	1,041,980	-	1,041,980
Auto-converted user accounts	971,280	-	971,280	806,749	-	806,749
Foundation contributions	319,737	3,079,413	3,399,150	287,000	1,947,000	2,234,000
Corporate contributions	295,435	4,508,226	4,803,661	510,839	1,839,265	2,350,104
Individual contributions	845,095	416,314	1,261,409	1,360,392	692,538	2,052,930
Fee for service revenue	-	-	-	149,745	-	149,745
Interest income	47,115	-	47,115	48,808	-	48,808
Dividend income	-	-	-	19,701	-	19,701
Unrealized/realized (loss) gain on investments	(1,320)	-	(1,320)	37,124	-	37,124
Currency and KDAF loan losses	(167,997)	-	(167,997)	(1,383)	-	(1,383)
Other income (loss)	4,401	-	4,401	(241)	-	(241)
Net assets released from restrictions	3,984,754	(3,984,754)	-	3,598,786	(3,598,786)	-
Total revenue and support	<u>15,438,425</u>	<u>4,019,199</u>	<u>19,457,624</u>	<u>15,774,816</u>	<u>880,017</u>	<u>16,654,833</u>
In-kind donations:						
Technology and equipment	204,339	-	204,339	949	-	949
Services	1,832,046	-	1,832,046	2,028,186	-	2,028,186
Total in-kind donations	<u>2,036,385</u>	<u>-</u>	<u>2,036,385</u>	<u>2,029,135</u>	<u>-</u>	<u>2,029,135</u>
Total revenue and support including in-kind donations	<u>17,474,810</u>	<u>4,019,199</u>	<u>21,494,009</u>	<u>17,803,951</u>	<u>880,017</u>	<u>18,683,968</u>
Functional expenses:						
Program services	14,217,673	-	14,217,673	13,887,219	-	13,887,219
Management and general	2,231,186	-	2,231,186	2,278,444	-	2,278,444
Fundraising	1,197,884	-	1,197,884	1,133,985	-	1,133,985
Total functional expenses	<u>17,646,743</u>	<u>-</u>	<u>17,646,743</u>	<u>17,299,648</u>	<u>-</u>	<u>17,299,648</u>
Change in net assets	(171,933)	4,019,199	3,847,266	504,303	880,017	1,384,320
Net assets, beginning of year	12,984,338	10,558,235	23,542,573	12,480,035	9,678,218	22,158,253
Net assets, end of year	<u>\$ 12,812,405</u>	<u>\$ 14,577,434</u>	<u>\$ 27,389,839</u>	<u>\$ 12,984,338</u>	<u>\$ 10,558,235</u>	<u>\$ 23,542,573</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31,							
	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel expenses:								
Salaries	\$ 6,095,089	\$ 580,748	\$ 599,765	\$ 7,275,602	\$ 5,974,685	\$ 532,050	\$ 548,188	\$ 7,054,923
Payroll taxes	661,475	57,169	58,706	777,350	649,221	51,278	53,306	753,805
Benefits	1,128,378	156,814	111,761	1,396,953	1,043,152	128,155	95,531	1,266,838
Total personnel expenses	7,884,942	794,731	770,232	9,449,905	7,667,058	711,483	697,025	9,075,566
Other functional expenses:								
Depreciation and amortization	2,064,997	203,908	212,133	2,481,038	2,252,965	210,843	216,542	2,680,350
In-kind expenses	1,762,908	142,844	2,174	1,907,926	1,839,495	197,305	15,531	2,052,331
Occupancy	609,909	77,292	57,875	745,076	587,375	58,624	51,714	697,713
Contractors	272,827	383,799	1,874	658,500	487,660	469,902	15,600	973,162
Marketing and communications	391,663	-	17,215	408,878	107,564	950	15,047	123,561
Information technology	316,432	99,177	27,430	443,039	237,985	101,022	19,195	358,202
Travel, conferences, and meetings	266,650	12,123	70,381	349,154	234,976	-	68,547	303,523
Professional fees	17,660	291,703	1,236	310,599	46,899	356,275	2,929	406,103
External events	164,837	-	21,224	186,061	21,612	126	13,676	35,414
Portfolio related expenses	137,989	-	-	137,989	111,412	997	-	112,409
Staff development	38,051	98,288	236	136,575	38,711	51,991	630	91,332
Insurance	100,304	6,999	9,771	117,074	90,662	-	9,123	99,785
Office expense	38,327	39,411	2,005	79,743	84,024	42,896	2,394	129,314
Bank fees	7,706	71,856	10	79,572	5,151	64,703	-	69,854
Other expenses	59,027	5,332	425	64,784	37,913	7,850	2,166	47,929
Phones and internet	40,004	3,723	3,663	47,390	35,757	3,477	3,866	43,100
Interest expense	43,440	-	-	43,440	-	-	-	-
Total other functional expenses	6,332,731	1,436,455	427,652	8,196,838	6,220,161	1,566,961	436,960	8,224,082
Total functional expenses	\$ 14,217,673	\$ 2,231,186	\$ 1,197,884	\$ 17,646,743	\$ 13,887,219	\$ 2,278,444	\$ 1,133,985	\$ 17,299,648

See accompanying independent auditor's 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,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 3,847,266	\$ 1,384,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,481,038	2,680,350
Unrealized/realized loss (gain) on investments	1,320	(37,124)
In-kind contribution of equipment	(204,283)	-
Changes in operating assets and liabilities:		
Cash restricted as to use	(103)	(152)
Funds held in trust	18,889	8,832
Pledges and grants receivable, net of discounts	(2,031,949)	3,748,191
Due from affiliate	(513,065)	(77,555)
Beneficial interest in trusts	254,234	(420,000)
Prepaid expenses and other assets	10,832	(1,062)
Accounts payable	82,891	(10,958)
Accrued expenses	(3,090)	154,544
Other current liabilities	10,405	11,485
Deferred rent obligation	(57,971)	(36,776)
	3,896,414	7,404,095
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(9,501,544)	(8,296,901)
Proceeds from sale of investments	8,950,994	13,919,169
Increase in donor-advised funds for microloans, net of repayments	(1,439,554)	(7,536,429)
Purchases of property and equipment	(10,364)	(44,526)
Capitalization of website and internet platform software development costs	(1,981,194)	(2,039,313)
	(3,981,662)	(3,998,000)
Net cash used in investing activities		
Net (decrease) increase in cash and cash equivalents	(85,248)	3,406,095
Cash and cash equivalents, beginning of year	7,594,306	4,188,211
Cash and cash equivalents, end of year	\$ 7,509,058	\$ 7,594,306
Supplemental cash flow information:		
Non-cash investing activities:		
In-kind contribution of equipment	\$ 204,283	\$ -

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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 300 active global Microfinance Institutions ("MFIs") and other socially minded organizations and enterprises in eighty-four (84) 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 \$835 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 a donor-advised fund. 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 to be used to lend to Kiva borrowers. 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 transfer the donated funds 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, 2015 and 2014

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. The Zip model relies on “character based lending” to evaluate credit-worthiness. 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, 2015, approximately 11,500 Zip loans with a value of approximately \$10.9 million have 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, 2015 and 2014, Kiva had no permanently restricted net assets.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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 grants receivable 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, 2015 and 2014, 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, 2015 represent funds deployed as loans net of repayments, as well as funds available for lending.

For each donor-advised fund agreement, KDAF pays Kiva an operating fee based on a percentage of the original contributed amount. These fee rates range from 3% - 10%. The operating fee revenue and corresponding expense are eliminated upon consolidation.

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, 2015 and 2014

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 two years, and after reminders have been sent to the lender regarding balances in their accounts, 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.

Distribution made to Kiva from KDAF is eliminated upon consolidation. For December 31, 2015, KDAF distributed approximately \$134,000 to Kiva.

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 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, 2015 and 2014

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, 2015, 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, 2015 and 2014. Kiva is subject to examination by a major tax jurisdiction back to 2011.

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, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014:

	December 31,	
	2015	2014
Cash	\$ 62,207,059	\$ 57,612,186
Accounts Receivable	40,482	44,415
Loans	79,310,655	72,940,932
Total Assets	<u>\$ 141,558,196</u>	<u>\$ 130,597,533</u>
Accounts payable	\$ 289,965	\$ 22,321
Due to Kiva Microfunds	986,127	450,553
Unsettled loan transactions	96,234,431	87,708,627
Funds held on behalf of lenders	42,512,238	40,672,912
Unredeemed gift cards	1,535,435	1,743,120
Total liabilities	<u>\$ 141,558,196</u>	<u>\$ 130,597,533</u>

Subsequent events

In preparing its consolidated financial statements, Kiva has evaluated subsequent events through May 10, 2016, 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 \$152,877 and \$152,774 for the years ended December 31, 2015 and 2014, respectively, to support a 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, 2015 and 2014

Note 4 - Investments

Investments consisted of the following:

	December 31,	
	2015	2014
Certificates of deposit	\$ 4,626,016	\$ 4,075,792
Equity securities	-	994
	<u>\$ 4,626,016</u>	<u>\$ 4,076,786</u>

Unrestricted investment income (loss) generated from Kiva's investments is comprised of the following for the years ended December 31, 2015 and 2014:

	December 31,	
	2015	2014
Dividends and interest income	\$ 14,043	\$ 25,177
Net realized and unrealized (loss) or gain	(1,320)	37,124
	<u>\$ 12,723</u>	<u>\$ 62,301</u>

Note 5 - Pledges and grants receivable

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

	December 31,	
	2015	2014
Less than one year	\$ 667,818	\$ 23,123
One to five years	1,837,156	449,645
Less discounts	(1,757)	(1,500)
Total pledges and grants receivable - noncurrent portion, net of discounts	<u>1,835,399</u>	<u>448,145</u>
Total pledges and grants receivable, net of discounts	<u>\$ 2,503,217</u>	<u>\$ 471,268</u>

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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% and 10%, respectively, of the principal and interest distributions made by the trusts. During 2015, Kiva was informed by the trustee that both trusts will be making distributions of principal and interest in 2016. Based on the total assets held in each trust as of December 31, 2015, Kiva estimated the expected 2016 distributions to total \$165,766, and this amount is reflected as a beneficial interest in trusts in Kiva's consolidated statements of financial position.

Kiva is also a beneficiary of a revocable trust where a third party serves as trustee. As of May 2014, the trust became 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, 2015 or 2014.

Note 7 - Property and equipment

Property and equipment consisted of the following:

	December 31,	
	2015	2014
Leasehold improvements	\$ 173,949	\$ 175,070
Office furniture and fixtures	125,563	125,563
Computer equipment	1,025,463	809,507
Website and internet platform software development costs	14,100,544	12,119,350
	15,425,519	13,229,490
Less accumulated depreciation and amortization	(12,336,358)	(9,855,132)
	<u>\$ 3,089,161</u>	<u>\$ 3,374,358</u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$2,481,038 and \$2,680,350, respectively.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes:

	December 31, 2014	Additions	Released from Restrictions	December 31, 2015
Geographical	\$ 772,271	\$ 2,393,000	\$ (1,424,844)	\$ 1,740,427
Product innovation	8,760,523	3,209,226	(2,128,285)	9,841,464
Time restricted	1,025,441	2,401,727	(431,625)	2,995,543
	<u>\$ 10,558,235</u>	<u>\$ 8,003,953</u>	<u>\$ (3,984,754)</u>	<u>\$ 14,577,434</u>
	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>

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 in December 2012, and increasing annually thereafter. Kiva is recording rent expense on a straight-line basis, and has recorded a deferred rent liability of \$91,298 and \$148,717 as of December 31, 2015 and 2014, 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 in December 2014, and increasing bi-annually thereafter. Kiva is recording rent expense on a straight-line basis, and has recorded a deferred rent liability of \$13,919 and \$14,471 as of December 31, 2015 and 2014, respectively. Kiva terminated the lease agreement as of March 2016, and is not liable for any additional lease payments.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Note 9 - Commitments and contingencies (continued)

Future minimum lease payments required under the non-cancellable facility leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2016	\$ 587,846
2017	<u>146,961</u>
	<u>\$ 734,807</u>

Rent expense, which includes Kiva's portion of common area expenses, amounted to \$578,320 and \$577,991 for the years ended December 31, 2015 and 2014, respectively.

Due to escalating market rents for commercial property in the Bay Area, the expiration of Kiva's office lease in March 2017 could have a material impact on the Organization's future operations. However, Kiva has recently signed a letter of intent for new headquarters space, which in management's opinion, will result in a new lease with favorable market terms.

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.

Financial instruments included in the Organization's statements of financial position include cash and cash equivalents and certificates of deposit. The carrying amount of these instruments approximates their fair values.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Note 11 - Related party transactions and amounts due from affiliate

During the year ended December 31, 2014, 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 for the year ended December 31, 2014. No similar contributions were received during the year ended December 31, 2015.

During 2014, as a result of the departure of Kiva's CEO, Kiva contracted with one current Board member in an executive level advisory role. The contract was for a fixed monthly fee of \$16,667. Kiva paid approximately \$129,000 and \$167,000 for advisory services during the years ended December 31, 2015 and 2014, respectively. No amounts were owed to this Board member under this contract which concluded effective August 31, 2015.

Amounts due from affiliate consist of interest income, online donations and contributions contractually required by donor to be deployed for microloans through 2017. Amounts are scheduled to be received in the following periods:

	December 31,	
	2015	2014
Less than one year	<u>\$ 486,127</u>	<u>\$ 450,553</u>
One to five years	500,000	-
Less: Reserve for loan losses	(10,000)	-
Discount	<u>(12,509)</u>	<u>-</u>
Total due from affiliate - noncurrent portion, net of loan loss reserve and discount	<u>477,491</u>	<u>-</u>
Total due from affiliate	<u>\$ 963,618</u>	<u>\$ 450,553</u>

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, 2015 and 2014, matching and discretionary contributions of \$256,221 and \$215,349, respectively, were made to the Plan.

KIVA MICROFUNDS AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Note 13 - KIVA User Funds LLC bank accounts

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, 2015 and 2014 are as follows:

	December 31,	
	2015	2014
Interest income	\$ 33,071	\$ 43,332
Auto-converted Kiva Cards	\$ 852,870	\$ 1,041,980
Auto-converted user accounts	\$ 971,280	\$ 806,749
Online donations	\$ 8,287,055	\$ 7,915,316

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, 2015, Kiva did not have a significant grantor that represented more than 10% of total revenue and support, but had outstanding receivables from three grantors representing 21%, 20% and 15% of pledges and grants receivable as of December 31, 2015. During 2014, Kiva did not have a significant grantor that represented more than 10% of total revenue and support, but had outstanding receivables from two grantors that represented 12% and 11% 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, 2015 and 2014, no allowance for uncollectible pledges and grants receivable has been recognized.

Note 15 - Reclassification

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation. These reclassifications have no effect on net assets or changes in net assets.

SUPPLEMENTAL INFORMATION

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2015

	Assets			
	Kiva Microfunds	Kiva-DAF, LLC	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 7,509,058	\$ -	\$ -	\$ 7,509,058
Cash restricted as to use	152,877	-	-	152,877
Investments	4,626,016	-	-	4,626,016
Pledges and grants receivable, current	190,318	477,500	-	667,818
Due from affiliate, current	516,541	-	(30,414)	486,127
Beneficial interest in trusts	165,766	-	-	165,766
Prepaid expenses and other assets	565,613	64,564	(64,564)	565,613
Total current assets	13,726,189	542,064	(94,978)	14,173,275
Property and equipment, net of accumulated depreciation and amortization	3,089,161	-	-	3,089,161
Other assets:				
Pledges and grants receivable, less current portion and net of discounts	1,835,399	-	-	1,835,399
Due from affiliate, net of loan loss reserve and discount	477,491	-	-	477,491
Temporarily restricted assets - Kiva-DAF, LLC:				
Donor-advised funds for microloans	-	8,975,983	-	8,975,983
Intangible asset	25,000	-	-	25,000
Deposits	56,927	-	-	56,927
Total other assets	2,394,817	8,975,983	-	11,370,800
	<u>\$ 19,210,167</u>	<u>\$ 9,518,047</u>	<u>\$ (94,978)</u>	<u>\$ 28,633,236</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 343,732	\$ -	\$ -	\$ 343,732
Accrued expenses	757,161	-	-	757,161
Due to affiliate	-	30,414	(30,414)	-
Deferred revenue	64,564	-	(64,564)	-
Other current liabilities	37,287	-	-	37,287
Total current liabilities	1,202,744	30,414	(94,978)	1,138,180
Deferred rent obligation	105,217	-	-	105,217
Net assets (deficit):				
Unrestricted	12,819,678	(7,273)	-	12,812,405
Temporarily restricted	5,082,528	9,494,906	-	14,577,434
Total net assets	17,902,206	9,487,633	-	27,389,839
Total liabilities and net assets	<u>\$ 19,210,167</u>	<u>\$ 9,518,047</u>	<u>\$ (94,978)</u>	<u>\$ 28,633,236</u>

KIVA MICROFUNDS AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

	Kiva Microfunds			Kiva-DAF, LLC			Eliminations		Consolidated	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Unrestricted	Temporarily Restricted	Total
Revenue and support:										
Online donations	\$ 8,287,055	\$ -	\$ 8,287,055	\$ -	\$ -	\$ -	\$ -	\$ 8,287,055	\$ -	\$ 8,287,055
Auto-converted Kiva Cards	852,870	-	852,870	-	-	-	-	852,870	-	852,870
Auto-converted user accounts	971,280	-	971,280	-	-	-	-	971,280	-	971,280
Foundation contributions	319,737	3,079,413	3,399,150	-	-	-	-	319,737	3,079,413	3,399,150
Corporate contributions	429,386	2,017,000	2,446,386	-	2,491,226	2,491,226	(133,951)	295,435	4,508,226	4,803,661
Individual contributions	845,095	336,314	1,181,409	-	80,000	80,000	-	845,095	416,314	1,261,409
Operating fee	387,677	-	387,677	-	-	-	(387,677)	-	-	-
Interest income	47,115	-	47,115	-	-	-	-	47,115	-	47,115
Unrealized/realized (loss) gain on investments	(1,320)	-	(1,320)	-	-	-	-	(1,320)	-	(1,320)
Currency and KDAF loan losses	(40,270)	-	(40,270)	(127,727)	-	(127,727)	-	(167,997)	-	(167,997)
Other income	4,401	-	4,401	-	-	-	-	4,401	-	4,401
Net assets released from restrictions	3,335,399	(3,335,399)	-	649,355	(649,355)	-	-	3,984,754	(3,984,754)	-
Total revenue and support	15,438,425	2,097,328	17,535,753	521,628	1,921,871	2,443,499	(521,628)	15,438,425	4,019,199	19,457,624
In-kind donations:										
Technology	204,339	-	204,339	-	-	-	-	204,339	-	204,339
Services	1,832,046	-	1,832,046	-	-	-	-	1,832,046	-	1,832,046
Total in-kind donations	2,036,385	-	2,036,385	-	-	-	-	2,036,385	-	2,036,385
Total revenue and support including in-kind donations	17,474,810	2,097,328	19,572,138	521,628	1,921,871	2,443,499	(521,628)	17,474,810	4,019,199	21,494,009
Functional expenses:										
Program services	14,217,673	-	14,217,673	521,628	-	521,628	(521,628)	14,217,673	-	14,217,673
Management and general	2,231,186	-	2,231,186	-	-	-	-	2,231,186	-	2,231,186
Fundraising	1,197,884	-	1,197,884	-	-	-	-	1,197,884	-	1,197,884
Total functional expenses	17,646,743	-	17,646,743	521,628	-	521,628	(521,628)	17,646,743	-	17,646,743
Change in net assets	(171,933)	2,097,328	1,925,395	-	1,921,871	1,921,871	-	(171,933)	4,019,199	3,847,266
Net assets, beginning 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
Net assets, end of year	\$ 12,819,678	\$ 5,082,528	\$ 17,902,206	\$ (7,273)	\$ 9,494,906	\$ 9,487,633	\$ -	\$ 12,812,405	\$ 14,577,434	\$ 27,389,839

See accompanying independent auditor's report and notes to consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2015

	Kiva Microfunds	Kiva-DAF, LLC	Eliminations	Consolidated
Cash flows from operating activities:				
Change in net assets	\$ 1,925,395	\$ 1,921,871	\$ -	\$ 3,847,266
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	2,481,038	-	-	2,481,038
Unrealized/realized (loss) gain on investments	1,320	-	-	1,320
In-kind contribution of equipment	(204,283)	-	-	(204,283)
Changes in operating assets and liabilities:				
Cash restricted as to use	(103)	-	-	(103)
Funds held in trust	18,889	-	-	18,889
Pledges and grants receivable, net of discounts	(1,554,449)	(477,500)	-	(2,031,949)
Due from affiliate	(543,479)	-	30,414	(513,065)
Beneficial interest in trusts	254,234	-	-	254,234
Prepaid expenses and other assets	10,832	(35,231)	35,231	10,832
Accounts payable	82,891	-	-	82,891
Accrued expenses	(3,090)	-	-	(3,090)
Due to affiliate	-	30,414	(30,414)	-
Deferred revenue	35,231	-	(35,231)	-
Other current liabilities	10,405	-	-	10,405
Deferred rent obligation	(57,971)	-	-	(57,971)
Net cash provided by operating activities	2,456,860	1,439,554	-	3,896,414
Cash flows from investing activities:				
Purchases of investments	(9,501,544)	-	-	(9,501,544)
Proceeds from sale of investments	8,950,994	-	-	8,950,994
Increase in donor-advised funds for microloans, net of repayments	-	(1,439,554)	-	(1,439,554)
Purchases of property and equipment	(10,364)	-	-	(10,364)
Capitalization of website and internet platform software development costs	(1,981,194)	-	-	(1,981,194)
Net cash used in investing activities	(2,542,108)	(1,439,554)	-	(3,981,662)
Net decrease in cash and cash equivalents	(85,248)	-	-	(85,248)
Cash and cash equivalents, beginning of year	7,594,306	-	-	7,594,306
Cash and cash equivalents, end of year	<u>\$ 7,509,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,509,058</u>
Supplemental cash flow information:				
Non-cash investing activities:				
In-kind contribution of equipment	<u>\$ 204,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,283</u>