



KIVA MICROFUNDS AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Kiva Microfunds and its subsidiaries (collectively "Kiva"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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 its subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, as of December 31, 2018, Kiva Microfunds and its subsidiaries adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets, and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2018, and the related consolidating statements of activities and cash flows for the year then ended (pages 24-27), are presented for purposes of additional analysis and are not a required part of the 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



May 15, 2019

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	December 31,	
	2018	2017
Current assets:		
Cash and cash equivalents	\$ 15,811,829	\$ 10,073,533
Cash restricted as to use	2,908,826	3,058,527
Investments	6,857	504,194
Pledges and grants receivable	859,008	699,664
Due from affiliate, net of loan loss reserve	10,705,280	1,077,040
Beneficial interest in trusts	-	118,000
Prepaid expenses and other assets	1,197,634	1,319,731
Total current assets	31,489,434	16,850,689
Property and equipment, net of accumulated depreciation and amortization	3,087	41,954
Intangible assets, net of accumulated amortization	1,603,898	1,613,692
Other assets:		
Pledges and grants receivable, less current portion and net of discounts	594,955	324,648
Due from affiliate, less current portion and loan loss reserve	199,857	10,000,000
Kiva-DAF, LLC: Donor-advised funds for microloans	12,165,049	11,535,672
Deposits	174,815	159,228
Total other assets	13,134,676	22,019,548
Total assets	\$ 46,231,095	\$ 40,525,883

Liabilities and Net Assets

Current liabilities:		
Note payable	\$ 10,000,000	\$ -
Accounts payable	634,377	429,884
Accrued expenses	1,492,824	911,717
Deferred revenue	1,926,960	1,492,918
Total current liabilities	14,054,161	2,834,519
Deferred rent obligation	35,356	26,325
Note payable	-	10,000,000
Net assets:		
Without donor restrictions	10,831,687	12,042,675
With donor restrictions	21,309,891	15,622,364
Total net assets	32,141,578	27,665,039
Total liabilities and net assets	\$ 46,231,095	\$ 40,525,883

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Online donations	\$ 8,586,154	\$ -	\$ 8,586,154	\$ 8,326,971	\$ -	\$ 8,326,971
Auto-converted Kiva Cards	551,090	-	551,090	639,692	-	639,692
Auto-converted user accounts	1,520,888	-	1,520,888	1,335,541	-	1,335,541
Foundation contributions	680,819	5,868,813	6,549,632	329,618	727,675	1,057,293
Corporate contributions	294,778	2,485,553	2,780,331	380,737	2,803,202	3,183,939
Individual contributions	1,125,684	317,709	1,443,393	1,189,875	475,549	1,665,424
Fee for service revenue	1,632,853	-	1,632,853	1,185,780	-	1,185,780
Investment and interest income	71,419	-	71,419	258,829	-	258,829
Net unrealized and realized (loss) gain on investments	(1,037)	-	(1,037)	1,270	-	1,270
Currency and KDAF loan losses	(178,111)	-	(178,111)	(104,313)	-	(104,313)
Other income	47,950	-	47,950	28,272	-	28,272
Net assets released from restrictions	2,984,548	(2,984,548)	-	3,017,920	(3,017,920)	-
Total revenue and support	<u>17,317,035</u>	<u>5,687,527</u>	<u>23,004,562</u>	<u>16,590,192</u>	<u>988,506</u>	<u>17,578,698</u>
In-kind donations:						
In-kind support	1,894,961	-	1,894,961	2,125,762	-	2,125,762
Total in-kind donations	<u>1,894,961</u>	<u>-</u>	<u>1,894,961</u>	<u>2,125,762</u>	<u>-</u>	<u>2,125,762</u>
Total revenue and support including in-kind donations	<u>19,211,996</u>	<u>5,687,527</u>	<u>24,899,523</u>	<u>18,715,954</u>	<u>988,506</u>	<u>19,704,460</u>
Functional expenses:						
Program services	15,810,776	-	15,810,776	15,947,362	-	15,947,362
Management and general	3,176,850	-	3,176,850	2,372,800	-	2,372,800
Fundraising	1,435,358	-	1,435,358	1,416,138	-	1,416,138
Total functional expenses	<u>20,422,984</u>	<u>-</u>	<u>20,422,984</u>	<u>19,736,300</u>	<u>-</u>	<u>19,736,300</u>
Change in net assets	(1,210,988)	5,687,527	4,476,539	(1,020,346)	988,506	(31,840)
Net assets, beginning of year	<u>12,042,675</u>	<u>15,622,364</u>	<u>27,665,039</u>	<u>13,063,021</u>	<u>14,633,858</u>	<u>27,696,879</u>
Net assets, end of year	<u>\$ 10,831,687</u>	<u>\$ 21,309,891</u>	<u>\$ 32,141,578</u>	<u>\$ 12,042,675</u>	<u>\$ 15,622,364</u>	<u>\$ 27,665,039</u>

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

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31,							
	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel expenses:								
Salaries	\$ 6,933,603	\$ 874,426	\$ 820,177	\$ 8,628,206	\$ 7,038,324	\$ 825,568	\$ 767,866	\$ 8,631,758
Payroll taxes	629,038	70,662	64,131	763,831	668,539	68,376	63,479	800,394
Benefits	1,065,080	175,269	124,342	1,364,691	1,087,657	171,699	120,111	1,379,467
Total personnel expenses	8,627,721	1,120,357	1,008,650	10,756,728	8,794,520	1,065,643	951,456	10,811,619
Other functional expenses:								
In-kind expenses	1,788,237	97,549	-	1,885,786	2,028,213	97,549	-	2,125,762
Contractors	1,023,864	719,839	709	1,744,412	459,275	277,516	-	736,791
Occupancy	1,183,095	154,623	153,052	1,490,770	1,048,646	136,861	118,122	1,303,629
Depreciation and amortization	1,065,243	137,146	127,746	1,330,135	1,368,300	160,478	152,534	1,681,312
Information technology	596,303	146,486	53,252	796,041	471,270	121,513	45,782	638,565
Professional fees	24,638	460,182	-	484,820	20,712	272,862	-	293,574
Travel, conferences, and meetings	237,521	109,617	22,851	369,989	287,674	32,445	60,037	380,156
Marketing and communications	367,631	92	-	367,723	416,641	620	1,250	418,511
Interest expense	330,000	-	-	330,000	330,000	-	-	330,000
Insurance	126,869	24,063	14,224	165,156	130,359	9,415	14,556	154,330
Portfolio related expenses	160,895	609	-	161,504	246,338	4,134	-	250,472
Staff development	39,247	112,402	-	151,649	33,582	95,807	206	129,595
External events	115,940	164	995	117,099	9,813	102	55,227	65,142
Office expense	47,695	49,283	1,286	98,264	48,763	43,653	3,122	95,538
Other expenses	38,334	7,203	47,543	93,080	46,242	7,936	6,344	60,522
Phones and internet	37,488	7,371	5,050	49,909	31,654	8,631	4,791	45,076
Bank fees	55	18,375	-	18,430	3,703	37,635	266	41,604
Bad debt expense	-	11,489	-	11,489	171,657	-	-	171,657
Promotional loan funding	-	-	-	-	-	-	2,445	2,445
Total other functional expenses	7,183,055	2,056,493	426,708	9,666,256	7,152,842	1,307,157	464,682	8,924,681
Total functional expenses	<u>\$ 15,810,776</u>	<u>\$ 3,176,850</u>	<u>\$ 1,435,358</u>	<u>\$ 20,422,984</u>	<u>\$ 15,947,362</u>	<u>\$ 2,372,800</u>	<u>\$ 1,416,138</u>	<u>\$ 19,736,300</u>

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

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 4,476,539	\$ (31,840)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,330,135	1,681,312
Net unrealized and realized loss (gain) on investments	1,037	(1,270)
Non-cash contributions of marketable securities	(21,022)	(35,447)
Proceeds from sales of contributed marketable securities	15,429	35,162
Changes in operating assets and liabilities:		
Cash restricted as to use	149,701	(2,169,240)
Pledges and grants receivable, net of discounts	(429,651)	296,834
Due from affiliate, net of loan loss reserve	171,903	280,244
Beneficial interest in trusts	118,000	22,000
Prepaid expenses, other assets and deposits	106,510	102,532
Accounts payable	204,493	14,793
Accrued expenses	581,107	(17,586)
Deferred revenue	434,042	785,968
Deferred rent obligation	9,031	8,066
	7,147,254	971,528
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(505,968)	(1,072,473)
Proceeds from sale of investments	1,007,861	3,074,752
Increase in donor-advised funds available for microloans, net	(629,377)	(1,392,592)
Purchases of property and equipment	-	(2,250)
Capitalization of website and internet platform software development costs	(1,281,474)	(903,637)
	(1,408,958)	(296,200)
Net cash used in investing activities		
Net increase in cash and cash equivalents	5,738,296	675,328
Cash and cash equivalents, beginning of year	10,073,533	9,398,205
Cash and cash equivalents, end of year	\$ 15,811,829	\$ 10,073,533

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 1 - Nature of operations

Kiva Microfunds (referred to 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 312 active global Microfinance Institutions ("MFIs") and other socially minded organizations and enterprises in ninety-four (94) 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 \$1.2 billion in loans. 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 a user's (lender) 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 micro-loan 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 a credit-worthy 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.

In 2011, Kiva launched Zip, now called U.S. Direct ("Direct"), a pilot program to allow Kiva users to fund loans that are disbursed directly to borrowers, without being channeled through a field partner. Direct currently operates only in the U.S, where mobile payment technology is available. The Direct 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 Direct website. Direct borrowers are not charged interest or fees on their loans. Direct transactions flow through KUF. Disbursement of loans, and collection and distribution of repayments are managed by Kiva. Direct maintains separate bank accounts from Kiva and KUF. To date, approximately 15,000 Direct loans with a value of approximately \$31.1 million have been funded since inception.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 1 - Nature of operations (continued)

In July 2016, Kiva Impact Funds, LLC (referred hereinafter as "KIF") a single member Delaware Limited Liability Company whose sole member is Kiva, was established to hold loans or funds received from an Institutional Investor. These funds have been passed on to an account in KUF to facilitate a specified managed lending program (see Note 10).

In October 2018, Kiva Protocol LLC (referred hereinafter as "KP") a single member Delaware Limited Liability Company whose sole member is Kiva, was established as part of an initiative to help address the problems of financial exclusion by giving unbanked people a digital identity and a way for them to build verifiable credit history.

Note 2 - Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles general accepted in the United States of America and include the accounts of Kiva Microfunds, Kiva-DAF, LLC, Kiva Impact Funds, LLC, and Kiva Protocol 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 accounting principles generally accepted in the United States of America.

Financial statement presentation

Under accounting principles general accepted in the United States of America, Kiva is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without donor restrictions - net assets that are not subject to donor-imposed restrictions. This category represents net assets over which the Board of Directors has discretionary control and which are used to carry out operations of Kiva in accordance with its bylaws.

With donor restrictions - net assets subject to donor-imposed restrictions that will be met either by actions of Kiva or the passage of time. This classification includes resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants, and bequests.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 pledges receivable, valuation of investments, useful lives of property and equipment and intangibles, the default rate on managed lending contracts, and allocation of functional expenses. Actual results could differ from those estimates.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

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 an unconditional 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 rates of approximately 2.51% and 2.20% for each of the years ended December 31, 2018 and 2017, respectively, to record the discount.

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, 2018 and 2017, no allowance for uncollectible pledges and grants receivable has been recognized.

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, 2018 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 recognition

Contributions received are recorded as without donor restrictions or with donor restrictions 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 support with donor restrictions are then reclassified to net assets without donor restrictions upon expiration of the restriction, usually when the funds are spent. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

Revenue 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 automatically converted as donations to Kiva based on the terms of the users' account agreements. Revenue is also earned through contributions and grants from foundations, corporations, and individual donors.

Fee for service revenue relates to Kiva's efforts in introducing product innovations and increasing the capacity of social enterprises, all detailed in service contracts with third parties. Deferred revenue represents amounts received in advance for these services to be performed in the future.

Distributions made to Kiva from KDAF are eliminated upon consolidation. For the year ended December 31, 2018, KDAF distributed approximately \$127,000 to Kiva. For the year ended December 31, 2017, there were no distributions made from KDAF 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 realized and unrealized gains and losses are reflected in the consolidated statements of activities as increases or decreases in net assets without donor restrictions, unless their use has been restricted by donors.

Property, equipment, depreciation and amortization

Kiva capitalizes property and equipment acquisitions over \$5,000. 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 support without donor restrictions unless the donor stipulates specifically how the donated asset must be used.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

Intangible assets

Kiva develops and maintains in-house internet platform software to enable lending and other on-line donation activities. Personnel costs, including payroll taxes, worker's compensation, and benefits 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 incurred, and is evaluated on a quarterly basis.

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, 2018, 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. Kiva evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair value. To date, Kiva has not recorded any impairment of its long-lived assets as a result of this analysis.

Tax-exempt status and income and franchise taxes

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 provision for income taxes or related credits is included in these financial statements.

KUF, KDAF, KIF, and KP are single member LLCs and are disregarded entities for Federal income tax purposes. Under California law, KUF, KDAF, KIF, and KP are subject to tax on gross receipts, or a minimum tax of \$800 per entity, whichever is greater.

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, 2018 and 2017. Kiva, KUF, KDAF, KIF, and KP are subject to examination by major tax jurisdictions back to 2014.

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 based on management estimates. 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 SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017, KUF's equity balance is zero, and therefore no investment in KUF is reflected within these consolidated statements of financial position.

KUF's balance sheets consisted of the following:

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 76,582,059	\$ 67,479,300
Accounts receivable from users	14,297	17,495
Loans receivable:		
Field partners	78,540,157	85,124,275
U.S. Direct	9,276,871	9,569,543
Total assets	<u>\$ 164,413,384</u>	<u>\$ 162,190,613</u>
Accounts payable to lenders	\$ 563,469	\$ 716,323
Due to Kiva Microfunds	975,110	1,145,371
Unsettled loan transactions	103,101,446	110,568,584
Funds held on behalf of lenders	58,626,344	48,617,145
Unredeemed Kiva Cards	1,147,015	1,143,190
Total liabilities	<u>\$ 164,413,384</u>	<u>\$ 162,190,613</u>

New accounting pronouncements not yet adopted

In 2014, the FASB issued accounting guidance for reporting revenue that is significantly different than previous guidance. The new guidance is effective for Kiva's year beginning January 2019. The five-step revenue-recognition process in the new guidance necessitates more judgment and estimation than under previous pronouncements, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In addition, new financial statement presentation related to contract assets and liabilities will be required, as well as additional financial statement disclosures related to the revenue recognition cycle. This new revenue recognition guidance may be applied using either a full retrospective or a modified retrospective approach upon adoption. Kiva is continuing to evaluate the impact of adopting the new standard on its results of activities and financial position, as well as the method it will use for adoption.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

New accounting pronouncements not yet adopted (continued)

In 2016, the FASB issued new accounting guidance for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning with January 2020 with early adoption permitted, and must be applied using a modified retrospective approach. Kiva is currently evaluating the impact of adopting this standard on its financial statements and does not expect to adopt the new guidance earlier than required.

Other accounting pronouncements that have been enacted but not yet implemented are not expected to have a material impact on Kiva's consolidated financial statements.

New accounting pronouncement - adopted

During the year ended December 31, 2018, Kiva adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and footnotes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction of a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction of net assets with donor restrictions. The guidance also enhances disclosures for Board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Net assets have been reclassified for December 31, 2017 due to the adoption of ASU 2016-14 as of December 31, 2018, as follows:

Net Asset Classification	ASU 2016-14 Classification		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	\$ 12,042,675	\$ -	\$ 12,042,675
Temporarily restricted	-	15,622,364	15,622,364
Net assets, as reclassified	<u>\$ 12,042,675</u>	<u>\$ 15,622,364</u>	<u>\$ 27,665,039</u>

Subsequent events

In preparing its consolidated financial statements, Kiva has evaluated subsequent events through May 15, 2019, which is the date the consolidated financial statements were available to be issued.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 3 - Liquidity and availability of resources

The following table reflects Kiva's financial assets as of December 31, 2018, reduced by amounts not available for general expenditures within one year from this date. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year of December 31, 2018 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 18,720,655
Investments	6,857
Pledges and grants receivable, net of discounts	1,453,963
Due from affiliate, net of loan loss reserve	10,905,137
Donor-advised funds available for microloans	<u>12,165,049</u>
Financial assets, at December 31, 2018	<u>43,251,661</u>
Less:	
Pledges and grants receivable - noncurrent, net of discounts	(594,955)
Due from affiliate - noncurrent, net of loan loss reserve	(199,857)
Note payable with Institutional Investor (Note 10)	(10,000,000)
Cash reserved for mico-loan losses (Note 10)	(500,000)
Deferred revenue	(1,926,960)
Donor-advised funds available for microloans	(7,700,000)
Net assets with donor restrictions	<u>(3,600,000)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 18,729,889</u>

Pledges and grants receivable balances with certain donor restrictions that will be satisfied in the ensuing year, and expected to be collected within one year, are included as available for general expenditures. Cash and cash equivalents are available for general expenditures provided that the donor restrictions are also met during the ensuing year.

Note 4 - Cash restricted as to use

Cash restricted as to use represents \$500,000, reserved as of December 31, 2018 and 2017, for loan losses related to the note payable with an Institutional Investor (see Note 10). Additionally, Kiva has \$2,408,826 restricted for other purposes at December 31, 2018 (\$2,558,527 at December 31, 2017).

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 5 - Investments

Investments consisted of the following:

	December 31,	
	2018	2017
US Treasury Bills	\$ -	\$ 502,879
Equity securities	6,857	1,315
	\$ 6,857	\$ 504,194

Unrestricted investment income generated from Kiva's investments, reflected within the total of investment and interest income, comprised of the following:

	Year Ended December 31,	
	2018	2017
Dividends and interest income	\$ 11,341	\$ 29,325
Net realized and unrealized (loss) gain	(1,037)	1,270
	\$ 10,304	\$ 30,595

Note 6 - Pledges and grants receivable

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

	December 31,	
	2018	2017
Less than one year	\$ 859,008	\$ 699,664
One to five years	645,783	363,911
Less discounts	(50,828)	(39,263)
	594,955	324,648
Total pledges and grants receivable - noncurrent portion, net of discounts	\$ 1,453,963	\$ 1,024,312

Note 7 - Beneficial interest in trusts

Kiva was a beneficiary of a revocable trust where a third party served as trustee. As of May 2014, the trust became irrevocable due to the death of the grantor. Under the terms of this trust, Kiva was entitled to 6% of the principal and interest distributions made by the trust. Kiva received a final distribution of \$18,000 from the trust on February 22, 2018.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 7 - Beneficial interest in trusts (continued)

Kiva was a beneficiary of a revocable trust where a third party serves as trustee. As of November 2017, the trust became irrevocable due to the death of the grantor. Under the terms of this trust, Kiva received a final distribution of \$100,000 on February 22, 2018.

Note 8 - Property and equipment

Property and equipment consisted of the following:

	December 31,	
	2018	2017
Leasehold improvements	\$ 164,826	\$ 164,826
Office furniture and fixtures	125,563	125,563
Computer equipment	1,027,442	1,027,442
	1,317,831	1,317,831
Less: accumulated depreciation and amortization	(1,314,744)	(1,275,877)
	<u>\$ 3,087</u>	<u>\$ 41,954</u>

Depreciation and amortization expense for property and equipment for the years ended December 31, 2018 and 2017 was \$38,867 and \$100,955, respectively.

Note 9 - Intangibles

Intangible assets consisted of the following:

	December 31,	
	2018	2017
In-house internet platform software	\$ 17,726,808	\$ 16,445,334
Domain name	25,000	25,000
	17,751,808	16,470,334
Less: accumulated amortization	(16,147,910)	(14,856,642)
	<u>\$ 1,603,898</u>	<u>\$ 1,613,692</u>

Amortization expense was \$1,291,268, and \$1,580,357 for the years ended December 31, 2018 and 2017, respectively, for the in-house internet platform software. Kiva has determined that the domain name has an indefinite useful life, and as of December 31, 2018, has recorded no amortization.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 9 - Intangibles (continued)

The estimated amortization expense relating to the in-house internet platform software for each of the succeeding years is as follows:

For the year ending December 31,	Amount
2019	\$ 855,588
2020	539,220
2021	184,090
	\$ 1,578,898

Note 10 - Note payable

In November 2016, KIF signed a definitive agreement with an Institutional Investor for a \$10,000,000 note payable. In November 2016, KMF signed a sponsor agreement with the same Institutional Investor in support of KIF's definitive agreement. The proceeds from the loan have been deposited into KUF to provide matching funds to individual borrowers in approximately 60 countries. The principal sum of \$10,000,000 is payable in full no later than December 16, 2021, with no prepayment penalty, at an interest rate of 3.3%. The interest for the first three years, \$990,000, has been prepaid with restricted purpose funds received from a donor to cover the interest costs. This loan is expected to be repaid in full by December 2019.

In addition, Kiva Microfunds entered into a separate agreement with a donor that would cover up to \$500,000 in micro-loan losses over the first three years of the loan term. At the end of the loan term, any funds that were not used to offset loan losses may be returned to the donor at the donor's discretion. The amount is currently recorded as cash restricted to use (see Note 4).

Note 11 - Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes:

	December 31, 2017	Additions	Released from Restrictions	December 31, 2018
Geographical	\$ 2,669,665	\$ 776,000	\$ (1,525,644)	\$ 1,920,021
Product innovation	10,812,514	7,371,552	(1,250,386)	16,933,680
Time restricted	2,140,185	524,523	(208,518)	2,456,190
	\$ 15,622,364	\$ 8,672,075	\$ (2,984,548)	\$ 21,309,891

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 11 - Net assets with donor restrictions (continued)

	December 31, 2016	Additions	Released from Restrictions	December 31, 2017
Geographical	\$ 2,296,385	\$ 1,159,145	\$ (785,864)	\$ 2,669,666
Product innovation	10,523,273	2,439,461	(2,150,220)	10,812,514
Time restricted	1,814,200	407,820	(81,836)	2,140,184
	<u>\$ 14,633,858</u>	<u>\$ 4,006,426</u>	<u>\$ (3,017,920)</u>	<u>\$ 15,622,364</u>

Note 12 - Commitments

Lease agreements

In November 2011, Kiva entered into an operating lease agreement for office space in San Francisco, California which was due to expire in March 2017. In January of 2017, the lease was extended to March 2020. The lease agreement calls for minimum monthly lease payments beginning at \$96,554 with escalating rent payments beginning in April 2018, and increasing annually thereafter. Kiva records rent expense on a straight-line basis, and has recorded a deferred rent liability of \$35,356 and \$26,325 as of December 31, 2018 and 2017, respectively.

In April 2017, Kiva entered into a new operating lease agreement for office space in Nairobi, Kenya which expires in March 2020. Kiva records rent expense on a straight-line basis, and has recorded no deferred rent liability for this lease as of December 31, 2018.

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

Years Ending December 31,	Amount
2019	\$ 1,220,248
2020	307,298
	<u>\$ 1,527,546</u>

Rent expense, which includes Kiva's portion of common area expenses, amounted to \$1,355,549 and \$1,119,666 for the years ended December 31, 2018 and 2017, respectively.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 13 - 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 Kiva's consolidated statements of financial position include cash and cash equivalents, and investments in equity securities and US Treasury Bills (greater than three months). The carrying amount of these instruments approximates their fair values and are valued at Level 1.

Note 14 - Related-party transactions and amounts due from affiliate

Amounts due from affiliate consist of interest income, online donations and contributions contractually required by a donor to be deployed for microloans through the end of 2018, and the \$10,000,000 of funds provided by the note payable with the Institutional Investor. Amounts are scheduled to be received in the following periods:

	December 31,	
	<u>2018</u>	<u>2017</u>
Less than one year, net of loan loss reserve	<u>\$ 10,705,280</u>	<u>\$ 1,077,040</u>
One to five years	<u>199,857</u>	<u>10,000,000</u>
Total due from affiliate - noncurrent portion, net of loan loss reserve and discount	<u>199,857</u>	<u>10,000,000</u>
Total due from affiliate	<u><u>\$ 10,905,137</u></u>	<u><u>\$ 11,077,040</u></u>

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 14 - Related-party transactions and amounts due from affiliate (continued)

During 2018, Kiva contracted with one current board member in an executive level advisory role. The contract calls for a fee of \$10,000 per month commencing April 2018. Kiva paid approximately \$83,000 under this contract during the year ended December 31, 2018. The original term of the contract expired on April 19, 2019. The Board may elect to subsequently extend the agreement.

Note 15 - Employee retirement plan

Kiva has a defined contribution 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 contribution amounts fully vest upon contribution. During the years ended December 31, 2018 and 2017, matching and discretionary contributions of \$216,547 and \$204,365, respectively, were made to the Plan.

Note 16 - KIVA User Funds LLC bank accounts

As discussed in Note 1, KUF maintains FBO accounts, which are held separate and apart from the operational funds 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 and auto-converted user account balance 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 user accounts, and online donations disbursed from these bank accounts for the years ended December 31, 2018 and 2017 are as follows:

	December 31,	
	2018	2017
Interest income	\$ 60,078	\$ 229,504
Auto-converted Kiva Cards	\$ 551,090	\$ 639,692
Auto-converted user accounts	\$ 1,520,888	\$ 1,335,541
Online donations	\$ 8,586,154	\$ 8,326,971

Note 17 - 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.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 17 - Concentrations (continued)

During the year ended December 31, 2018, Kiva had one significant grantor that represented 22% of total revenue and support. During the year ended December 31, 2017, Kiva had no significant grantors that represented more than 10% of total revenue and support. At December 31, 2018, Kiva had outstanding receivables from three grantors representing 13%, 13%, and 27% of pledges and grants receivable, respectively. At December 31, 2017, Kiva had outstanding receivables from two grantors that represented 29% and 12% of pledges and grants receivable, respectively.

Note 18 - Contingency

On December 9, 2018, KP, upon receiving a \$5,000,000 grant, entered into a convertible support agreement with the grantor. The conversion feature within this support agreement provides an option to the grantor to convert up to the full amount of the funds granted, into equity securities upon a "qualified financing" event occurring within five (5) years of the grant date. At December 31, 2018, and through the date that the consolidated financial statements were available to be issued, no qualified financing event has occurred.

Note 19 - Reclassifications

Certain reclassifications have been made to the December 31, 2017 consolidated financial statements to conform to the December 31, 2018 consolidated financial statement presentation. Such reclassifications had no effect on changes in net assets.

SUPPLEMENTARY INFORMATION

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

Assets

	Kiva Microfunds	Kiva-DAF, LLC	Kiva Impact Funds, LLC	Kiva Protocol, LLC	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	\$ 10,801,537	\$ -	\$ 10,307	\$ 4,999,985	\$ -	\$ 15,811,829
Cash restricted as to use	2,408,826	-	500,000	-	-	2,908,826
Investments	6,857	-	-	-	-	6,857
Pledges and grants receivable	470,159	388,849	-	-	-	859,008
Due from affiliates, net of loan loss reserve	1,211,695	-	10,000,000	-	(506,415)	10,705,280
Prepaid expenses and other assets	879,734	13,652	317,900	-	(13,652)	1,197,634
Total current assets	15,778,808	402,501	10,828,207	4,999,985	(520,067)	31,489,434
Property and equipment, net of accumulated depreciation and amortization	3,087	-	-	-	-	3,087
Intangible assets, net of accumulated amortization	1,603,898	-	-	-	-	1,603,898
Other assets:						
Pledges and grants receivable, less current portion and net of discounts	594,955	-	-	-	-	594,955
Due from affiliates, less current portion and loan loss reserve	199,857	-	-	-	-	199,857
Kiva-DAF, LLC:						
Donor-advised funds for microloans	-	12,165,049	-	-	-	12,165,049
Deposits	174,815	-	-	-	-	174,815
Investment in Kiva Impact Funds, LLC	322,042	-	-	-	(322,042)	-
Total other assets	1,291,669	12,165,049	-	-	(322,042)	13,134,676
Total assets	<u>\$ 18,677,462</u>	<u>\$ 12,567,550</u>	<u>\$ 10,828,207</u>	<u>\$ 4,999,985</u>	<u>\$ (842,109)</u>	<u>\$ 46,231,095</u>

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

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

Liabilities and Net Assets/Member's Equity

	Kiva Microfunds	Kiva-DAF, LLC	Kiva Impact Funds, LLC	Kiva Protocol, LLC	Eliminations	Consolidated
Current liabilities:						
Note payable	\$ -	\$ -	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
Accounts payable	634,377	-	-	-	-	634,377
Accrued expenses	1,492,824	-	-	-	-	1,492,824
Due to affiliate	-	250	506,165	-	(506,415)	-
Deferred revenue	1,940,612	-	-	-	(13,652)	1,926,960
Total current liabilities	4,067,813	250	10,506,165	-	(520,067)	14,054,161
Deferred rent obligation	35,356	-	-	-	-	35,356
Net assets/member's equity:						
Without donor restrictions/member's equity	10,838,960	(7,273)	322,042	-	(322,042)	10,831,687
With donor restrictions	3,735,333	12,574,573	-	4,999,985	-	21,309,891
Total net assets/member's equity	14,574,293	12,567,300	322,042	4,999,985	(322,042)	32,141,578
Total liabilities and net assets/member's equity	\$ 18,677,462	\$ 12,567,550	\$ 10,828,207	\$ 4,999,985	\$ (842,109)	\$ 46,231,095

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

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Kiva Microfunds			Kiva-DAF, LLC			Kiva Impact Funds, LLC			Kiva Protocol, LLC			Eliminations		Consolidated	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:																
Online donations	\$ 8,586,154	\$ -	\$ 8,586,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,586,154	\$ -	\$ 8,586,154
Auto-converted Kiva Cards	551,090	-	551,090	-	-	-	-	-	-	-	-	-	-	551,090	-	551,090
Auto-converted user accounts	1,520,888	-	1,520,888	-	-	-	-	-	-	-	-	-	-	1,520,888	-	1,520,888
Foundation contributions	807,929	868,813	1,676,742	-	-	-	-	-	-	-	-	-	-	680,819	5,868,813	6,549,632
Corporate contributions	294,778	1,029,000	1,323,778	-	1,456,553	1,456,553	-	-	-	-	5,000,000	5,000,000	(127,110)	294,778	2,485,553	2,780,331
Individual contributions	1,125,684	12,709	1,138,393	-	305,000	305,000	-	-	-	-	-	-	-	1,125,684	317,709	1,443,393
Operating fee/fee-for-service	2,131,567	-	2,131,567	-	-	-	-	-	-	-	-	-	(498,714)	1,632,853	-	1,632,853
Investment and interest income	63,295	-	63,295	-	-	-	8,124	-	8,124	-	-	-	-	71,419	-	71,419
Net unrealized and realized loss on investments	(51)	-	(51)	-	-	-	(986)	-	(986)	-	-	-	-	(1,037)	-	(1,037)
Currency and KDAF loan loss	(846)	-	(846)	(177,265)	-	(177,265)	-	-	-	-	-	-	-	(178,111)	-	(178,111)
Other (losses) income, net	(277,911)	-	(277,911)	-	-	-	-	-	-	-	-	-	325,861	47,950	-	47,950
Net assets released from restrictions	2,181,444	(2,181,444)	-	803,089	(803,089)	-	-	-	-	15	(15)	-	-	2,984,548	(2,984,548)	-
Total revenue and support	16,984,021	(270,922)	16,713,099	625,824	958,464	1,584,288	7,138	-	7,138	15	4,999,985	5,000,000	(299,963)	17,317,035	5,687,527	23,004,562
In-kind donations:																
In-kind support	1,894,961	-	1,894,961	-	-	-	-	-	-	-	-	-	-	1,894,961	-	1,894,961
Total in-kind donations	1,894,961	-	1,894,961	-	-	-	-	-	-	-	-	-	-	1,894,961	-	1,894,961
Total revenue and support including in-kind donations	18,878,982	(270,922)	18,608,060	625,824	958,464	1,584,288	7,138	-	7,138	15	4,999,985	5,000,000	(299,963)	19,211,996	5,687,527	24,899,523
Functional expenses:																
Program services	15,480,776	-	15,480,776	625,824	-	625,824	330,000	-	330,000	-	-	-	(625,824)	15,810,776	-	15,810,776
Management and general	3,173,836	-	3,173,836	-	-	-	2,999	-	2,999	15	-	15	-	3,176,850	-	3,176,850
Fundraising	1,435,358	-	1,435,358	-	-	-	-	-	-	-	-	-	-	1,435,358	-	1,435,358
Total functional expenses	20,089,970	-	20,089,970	625,824	-	625,824	332,999	-	332,999	15	-	15	(625,824)	20,422,984	-	20,422,984
Change in net assets	(1,210,988)	(270,922)	(1,481,910)	-	958,464	958,464	(325,861)	-	(325,861)	-	4,999,985	4,999,985	325,861	(1,210,988)	5,687,527	4,476,539
Net assets/member's equity:																
Beginning of year	12,049,948	4,006,255	16,056,203	(7,273)	11,616,109	11,608,836	647,903	-	647,903	-	-	-	(647,903)	12,042,675	15,622,364	27,665,039
End of year	\$ 10,838,960	\$ 3,735,333	\$ 14,574,293	\$ (7,273)	\$ 12,574,573	\$ 12,567,300	\$ 322,042	\$ -	\$ 322,042	\$ -	\$ 4,999,985	\$ 4,999,985	\$ (322,042)	\$ 10,831,687	\$ 21,309,891	\$ 32,141,578

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

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2018

	Kiva Microfunds	Kiva-DAF, LLC	Kiva Impact Funds, LLC	Kiva Protocol, LLC	Eliminations	Consolidated
Cash flows from operating activities:						
Change in net assets	\$ (1,481,910)	\$ 958,464	\$ (325,861)	\$ 4,999,985	\$ 325,861	\$ 4,476,539
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:						
Depreciation and amortization	1,330,135	-	-	-	-	1,330,135
Loss from investment in KIF	325,861	-	-	-	(325,861)	-
Net unrealized and realized loss on investments	51	-	986	-	-	1,037
Non-cash contributions of marketable securities	(21,022)	-	-	-	-	(21,022)
Proceeds from sales of contributed marketable securities	15,429	-	-	-	-	15,429
Changes in operating assets and liabilities:						
Cash restricted as to use	649,701	-	(500,000)	-	-	149,701
Pledges and grants receivable, net of discounts	(40,802)	(388,849)	-	-	-	(429,651)
Due from affiliates, net of loan loss reserve	168,653	-	-	-	3,250	171,903
Beneficial interest in trusts	118,000	-	-	-	-	118,000
Prepaid expenses, other assets and deposits	(223,490)	40,496	330,000	-	(40,496)	106,510
Accounts payable	204,493	-	-	-	-	204,493
Accrued expenses	581,107	-	-	-	-	581,107
Due to affiliate	(19,016)	19,266	3,000	-	(3,250)	-
Deferred revenue	393,546	-	-	-	40,496	434,042
Deferred rent obligation	9,031	-	-	-	-	9,031
Net cash provided by (used in) operating activities	2,009,767	629,377	(491,875)	4,999,985	-	7,147,254
Cash flows from investing activities:						
Purchases of investments	-	-	(505,968)	-	-	(505,968)
Proceeds from sale of investments	-	-	1,007,861	-	-	1,007,861
Increase in donor-advised funds for microloans, net of repayments	-	(629,377)	-	-	-	(629,377)
Capitalization of website and internet platform software development costs	(1,281,474)	-	-	-	-	(1,281,474)
Net cash (used in) provided by investing activities	(1,281,474)	(629,377)	501,893	-	-	(1,408,958)
Net increase in cash and cash equivalents	728,293	-	10,018	4,999,985	-	5,738,296
Cash and cash equivalents, beginning of year	10,073,244	-	289	-	-	10,073,533
Cash and cash equivalents, end of year	<u>\$ 10,801,537</u>	<u>\$ -</u>	<u>\$ 10,307</u>	<u>\$ 4,999,985</u>	<u>\$ -</u>	<u>\$ 15,811,829</u>

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