KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2013 AND 2012

Abbott, Stringham & Lynch
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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, 2013, and the changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Prior Period Financial Statements

The financial statements of Kiva Microfunds for the year ended December 31, 2012 were audited by other auditors, whose report dated April 18, 2013, expressed an unqualified opinion on those statements.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the 2013 consolidated financial statements as a whole. The 2013 supplemental information is presented for purposes of additional analysis and is not a required part of the 2013 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 2013 consolidated financial statements. The information for 2013 has been subjected to the auditing procedures applied in the audit of the 2013 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the 2013 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 information is fairly stated in all material respects in relation to the 2013 consolidated financial statements as a whole.

Abbott, Stringham & Lynch

November 5, 2014

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

	December 31, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	$ 4,154,297	$ 8,194,277
Cash restricted as to use	152,622	3,634,069
Funds held in trust	27,721	889
Investments	6,137,423	-
Pledges and grants receivable, current	250,004	520,114
Unapplied funds	33,303	68,097
Due from Kiva User Funds Account	372,998	263,272
Prepaid expenses and other assets	575,383	419,514
Total current assets	11,703,751	13,100,232
Property and equipment, net of accumulated depreciation and amortization	3,970,869	3,764,022
Other assets:		
Pledges and grants receivable, less current portion and net of discounts	444,455	249,003
Temporarily restricted assets - Kiva-DAF, LLC:		
Cash and cash equivalents	611	-
Investments	3,524,507	-
Pledges and grants receivable, current	3,525,000	-
Intangible asset	25,000	25,000
Other assets	56,927	56,927
Total other assets	7,576,500	330,930
	$ 23,251,120	$ 17,195,184

Liabilities and Net Assets

	2013	2012
Current liabilities:		
Accounts payable	$ 271,799	$ 229,521
Accrued expenses	605,707	527,569
Other current liabilities	15,397	18,664
Total current liabilities	892,903	775,754
Deferred rent obligation	199,964	170,792
Net assets:		
Unrestricted	12,480,035	11,992,892
Temporarily restricted	9,678,218	4,255,746
Total net assets	22,158,253	16,248,638
Total liabilities and net assets	$ 23,251,120	$ 17,195,184

The accompanying notes are an integral part of these consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Online donations	$ 6,739,273	$ -	$ 6,739,273	$ 6,228,033	$ -	$ 6,228,033
Auto-converted Kiva Cards	1,268,200	-	1,268,200	1,327,035	-	1,327,035
Auto-converted user accounts	1,915,197	-	1,915,197	-	-	-
Foundations	763,359	150,051	913,410	487,753	904,388	1,392,141
Corporate contributions	829,623	7,890,764	8,720,387	1,253,137	4,451,678	5,704,815
Individual contributions	655,657	247,337	902,994	758,037	76,935	834,972
Fees for service	240,137	-	240,137	-	-	-
Interest income	54,267	-	54,267	76,774	-	76,774
Dividend income	27,762	-	27,762	-	-	-
Investment loss, net	(87,287)	-	(87,287)	-	-	-
Other income (loss)	1,511	-	1,511	(486)	-	(486)
Net assets released from restrictions	2,865,680	(2,865,680)	-	3,026,164	(3,026,164)	-
Total revenue and support	15,273,379	5,422,472	20,695,851	13,156,447	2,406,837	15,563,284
In-kind donations:						
Technology	6,262	-	6,262	68,111	-	68,111
Services	1,956,464	-	1,956,464	1,762,735	-	1,762,735
Use of facilities	4,700	-	4,700	-	-	-
Total in-kind donations	1,967,426	-	1,967,426	1,830,846	-	1,830,846
Total revenue and support including in-kind donations	17,240,805	5,422,472	22,663,277	14,987,293	2,406,837	17,394,130
Functional expenses:						
Program services	13,787,450	-	13,787,450	11,885,446	-	11,885,446
Management and general	2,082,038	-	2,082,038	1,652,420	-	1,652,420
Fundraising	884,174	-	884,174	627,719	-	627,719
Total functional expenses	16,753,662	-	16,753,662	14,165,585	-	14,165,585
Change in net assets	487,143	5,422,472	5,909,615	821,708	2,406,837	3,228,545
Net assets, beginning of year	11,992,892	4,255,746	16,248,638	11,171,184	1,848,909	13,020,093
Net assets, end of year	$ 12,480,035	$ 9,678,218	$ 22,158,253	$ 11,992,892	$ 4,255,746	$ 16,248,638

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31,							
	2013				2012			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel expenses:								
Salaries	$ 5,697,620	$ 543,765	$ 387,334	$ 6,628,719	$ 4,713,552	$ 523,246	$ 309,902	$ 5,546,700
Payroll taxes	586,033	58,904	41,947	686,884	532,757	61,289	35,979	630,025
Benefits	1,015,521	180,710	71,163	1,267,394	876,846	113,120	57,882	1,047,848
Total personnel expenses	7,299,174	783,379	500,444	8,582,997	6,123,155	697,655	403,763	7,224,573
Other functional expenses:								
In-kind expenses	1,581,679	369,558	6,692	1,957,929	1,585,758	133,996	6,550	1,726,304
Contractors	338,464	231,798	9,711	579,973	394,598	82,344	18,718	495,660
Professional fees	60,210	83,798	36,081	180,089	2,189	144,033	-	146,222
Occupancy	599,099	55,278	38,979	693,356	503,077	78,750	31,548	613,375
Depreciation and amortization	2,162,236	217,222	165,796	2,545,254	1,525,475	172,013	100,248	1,797,736
Information technology	250,969	83,492	18,573	353,034	155,260	52,522	10,210	217,992
Marketing and communications	220,421	55,599	12,500	288,520	197,816	58,908	-	256,724
Promotional loan funding	425,000	-	-	425,000	800,000	-	-	800,000
Portfolio related expenses	277,722	-	-	277,722	265,025	-	-	265,025
Volunteer program	74,882	-	-	74,882	65,878	-	-	65,878
Travel, conferences, and meetings	121,793	7,495	55,128	184,416	96,437	7,705	35,897	140,039
Bank fees	26,409	36,879	-	63,288	6,730	24,783	10	31,523
Insurance	55,493	3,875	1,981	61,349	60,031	1,749	953	62,733
Other expenses	44,584	12,872	4,275	61,731	19,419	(6,255)	5,633	18,797
Office expense	121,151	41,427	5,989	168,567	47,550	55,180	5,034	107,764
Phones and internet	33,041	2,972	2,684	38,697	30,700	3,404	1,988	36,092
Staff development	2,115	92,554	1,713	96,382	4,704	145,633	132	150,469
External events	93,008	3,840	23,628	120,476	1,644	-	7,035	8,679
Total other functional expenses	6,488,276	1,298,659	383,730	8,170,665	5,762,291	954,765	223,956	6,941,012
Total functional expenses	$ 13,787,450	$ 2,082,038	$ 884,174	$ 16,753,662	$ 11,885,446	$ 1,652,420	$ 627,719	$ 14,165,585

The accompanying notes are an integral part of these consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

	Year Ended December 31, 2013	2012
Cash flows from operating activities:		
Change in net assets	$ 5,909,615	$ 3,228,545
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,545,254	1,797,736
In-kind donation of fixed assets	-	(16,093)
In-kind donation of supplies	-	(86,502)
Unrealized/realized loss on investments	87,287	-
Changes in operating assets and liabilities:		
Cash restricted as to use	3,481,447	(2,910,115)
Funds held in trust	(26,832)	(889)
Pledges receivable, net of discounts	(3,450,342)	502,998
Unapplied funds	34,794	49,698
Due from Kiva User Funds Account	(109,726)	(2,867)
Prepaid expenses and other assets	(155,869)	(44,004)
Accounts payable	42,278	49,073
Accrued expenses	78,138	68,289
Other current liabilities	(3,267)	525
Deferred rent obligation	29,172	107,328
Net cash provided by operating activities	8,461,949	2,743,722
Cash flows from investing activities:		
Purchases of investments	(20,843,898)	-
Proceeds from sale of investments	11,094,681	-
Purchases of property and equipment	(60,420)	(141,035)
Capitalization of website and internet platform software development costs	(2,691,681)	(2,736,147)
Net cash used in investing activities	(12,501,318)	(2,877,182)
Net decrease in cash and cash equivalents	(4,039,369)	(133,460)
Cash and cash equivalents, beginning of year	8,194,277	8,327,737
Cash and cash equivalents, end of year	$ 4,154,908	$ 8,194,277
Supplemental cash flows information:		
In-kind donation of fixed assets	$ -	$ 16,093
In-kind donation of supplies	$ -	$ 86,502

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Nature of operations

Kiva Microfunds (referred hereinafter as “KMF”) is a nonprofit, tax-exempt organization founded in 2005 to connect people through lending for the sake of alleviating poverty and creating opportunity. KMF empowers individuals to lend to low-income borrowers around the world. KMF partners with 229 global Microfinance Institutions (“MFIs") and other socially minded organizations and enterprises in more than seventy-four (74) countries. Partner organizations are responsible for selecting borrowers, reviewing the loan applications, and uploading the loan requests to KMF's website once they have approved the loans. When the loan funds are raised, KMF 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, KMF has facilitated over US $545 million in loans from lenders through the website. KMF 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 KMF'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 KMF's operations. KUF is a California Limited Liability Company whose sole member is KMF.

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 KMF. KMF 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 KMF platform, and accounts for the users' corresponding funds held in, or transacted via, the FBO accounts.

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

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

In 2012, KMF initiated more concerted work on a pilot program ("Kiva Zip") in the United States and Kenya. Kiva Zip, established on a separate website URL (zip.kiva.org), is designed to test the feasibility of facilitating microfinance loans from KMF users more directly to KMF borrowers, independent of an intermediary, credit-administering partner organization. The loan amounts under the Kiva Zip are not currently deemed material to KMF operations. As of December 31, 2013, the unaudited estimated cash and outstanding loans totaled approximately $1,800,000.

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"). The financial statements presented for the year ended December 31, 2012, only represent the financial results of Kiva Microfunds. 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, 2013 and 2012, Kiva had no permanently restricted net assets.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include discounts on long-term pledge receivables, useful lives of property and equipment, and 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.

Note 2 - Summary of significant accounting policies (continued)

Restricted cash

Cash restricted as to use represents amounts related to two separate restrictions. The first amount represents segregated funds in the amount of $152,622 and $147,440 for the years ended December 31, 2013 and 2012, respectively, to support the letter of credit issued on July 28, 2011 related to the operating lease agreement for the new office lease entered into effective December 2011. The remaining amount represents segregated funds to meet donor obligations that have been temporarily restricted by time or purpose.

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 in the KUF system. These pledges are discounted to reflect the default rate on the KUF lending platform.

Kiva discounts receivables that are expected to be collected in future periods using an appropriate discount rate commensurate with the risks involved. Kiva uses the five year Treasury bond rate of approximately 1.75% and 0.72% as of December 31, 2013 and 2012, respectively, to record the discount.

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 are required to be reported as temporarily restricted support and 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 increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

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

Note 2 - Summary of significant accounting policies (continued)

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 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.

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, 2013, has recorded no amortization.

Note 2 - Summary of significant accounting policies (continued)

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, 2013 and 2012. Kiva is subject to examination by a major tax jurisdiction back to 2010.

Promotional loan funding expense

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

Functional allocation of expenses

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

Accounting for ownership interest in KUF

Though KMF is the sole member of KUF, a California Limited Liability Company ("LLC"), Kiva has not consolidated KUF's assets, liabilities or results of operations 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, 2013 and 2012 KUF's equity balance is zero, and therefore there is no investment in KUF reflected within the consolidated statements of financial position of Kiva.

Note 2 - Summary of significant accounting policies (continued)

Accounting for ownership interest in KUF (continued)

KUF's unaudited balance sheets consisted of the following at December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Cash	$ 49,951,624	$ 46,918,039
Accounts receivable	285,385	70,904
Loans	44,406,283	35,294,559
Total assets	$ 94,643,292	$ 82,283,502
Accounts payable	$ 122,834	$ 62,213
Due to Kiva Microfunds	387,808	252,242
Payable to Zip	19,258	-
Unsettled loan transactions	58,362,410	46,763,924
Funds held on behalf of lenders	33,460,157	31,309,698
Unredeemed gift cards	2,290,825	3,895,425
Total liabilities	$ 94,643,292	$ 82,283,502

Subsequent events

In preparing its consolidated financial statements, Kiva has evaluated subsequent events through November 5, 2014, which is the date the consolidated financial statements were available to be issued.

Note 3 - Investments

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

Fixed income securities:	
U.S. Treasury bills	$ 7,523,746
Government bond fund	1,085,787
Municipal bond	1,052,397
	$ 9,661,930

Unrestricted investment income generated from Kiva’s investments is comprised of the following for the year ended December 31, 2013:

Dividends and interest	$ 31,225
Net realized and unrealized loss	(87,287)
	$ (56,062)

Note 4 - Pledges and grants receivable

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

	December 31, 2013	December 31, 2012
Less than one year	$ 3,775,004	$ 520,114
One to five years	447,645	251,391
Less discounts	(3,190)	(2,388)
Total pledges and grants receivable - noncurrent portion, net of discounts	444,455	249,003
Total pledges and grants receivable, net of discounts	$ 4,219,459	$ 769,117

Note 5 - Property and equipment

Property and equipment consisted of the following:

	December 31, 2013	December 31, 2012
Leasehold improvements	$ 167,993	$ 167,993
Office furniture and fixtures	125,563	125,563
Computer equipment	771,684	711,264
Website and internet platform software development costs	10,080,037	7,388,356
	11,145,277	8,393,176
Less accumulated depreciation and amortization	(7,174,408)	(4,629,154)
	$ 3,970,869	$ 3,764,022

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was $2,545,254 and $1,797,736, respectively.

Note 6 - Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes:

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

	December 31, 2011	Additions	Released From Restrictions	December 31, 2012
Geographical	$ 534,505	$ 463,000	$ (651,915)	$ 345,590
Product innovation	192,288	3,638,000	(639,249)	3,191,039
Time restricted	1,122,116	1,332,001	(1,735,000)	719,117
	$ 1,848,909	$ 5,433,001	$ (3,026,164)	$ 4,255,746

Note 7 - Commitments and contingencies

Lease agreements

In November 2011, Kiva entered into an operating lease agreement for new office space which expires in March 2017. The lease agreement calls for minimum monthly lease payments of $43,307, and includes five months of rent abatement along with escalating rent payments beginning December 2012, and increasing annually thereafter. Kiva is recording rent expense on a straight-line basis, and has recorded a deferred rent liability of $189,097 and $167,710 as of December 31, 2013 and 2012, respectively.

In November 2012, Kiva entered into an operating lease agreement for new office space in Nairobi, Kenya which expires in 2018. The lease agreement calls for minimum monthly lease payments of $2,695 with escalating rent payments beginning December 2014, and increasing bi-annually thereafter. Kiva is recording rent expenses on a straight-line basis, and has recorded a deferred rent liability of $10,867 and $3,082 as of December 31, 2013 and 2012, respectively.

Note 7 - Commitments and contingencies (continued)

Lease agreements (continued)

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

Years Ending December 31,	Amount
2014	$ 587,926
2015	609,411
2016	625,495
2017	189,724
2018	39,199
	$ 2,051,755

Rent expense, which includes Kiva's portion of common area expenses, amounted to $523,057 and $496,420 for the years ended December 31, 2013 and 2012, respectively.

Note 8 - 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.

Note 8 - Fair value measurements (continued)

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

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

Note 9 - Related party transactions

During the years ended December 31, 2013 and 2012, 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 $17,539 and $1,133,209 for the years ended December 31, 2013 and 2012, respectively.

Note 10 - 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, 2013 and 2012, matching and discretionary contributions of $213,310 and $196,905, respectively, were made to the Plan.

Note 11 - Kiva User Funds bank account

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

Note 11 - Kiva User Funds bank account (continued)

Interest income, and donations from auto-converted Kiva Cards and online donations disbursed from these bank accounts for the years ended December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Interest income	$ 49,851	$ 61,267
Auto-converted Kiva Cards	$ 1,268,200	$ 1,327,035
Online donations	$ 6,739,273	$ 6,228,033

Note 12 - 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.

As of and for the year ended December 31, 2013, Kiva had one significant grantor that represented 34% of total revenue and support and 35% of pledges and grants receivable. During 2012, Kiva had grants from one significant grantor that represented 18% of total revenue and support. Kiva had outstanding receivables from three significant grantors that represented 32%, 16% and 13% of pledges and grants receivable as of December 31, 2012.

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.

SUPPLEMENTAL INFORMATION

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31, 2013

Assets

	Kiva Microfunds	Kiva-DAF, LLC	Consolidated
Current assets:			
Cash and cash equivalents	$ 4,154,297	$ -	$ 4,154,297
Cash restricted as to use	152,622	-	152,622
Funds held in trust	27,721	-	27,721
Investments	6,137,423	-	6,137,423
Pledges and grants receivable, current	250,004	-	250,004
Unapplied funds	33,303	-	33,303
Due from Kiva User Funds Account	372,998	-	372,998
Prepaid expenses and other assets	575,383	-	575,383
Total current assets	11,703,751	-	11,703,751
Property and equipment, net of accumulated depreciation and amortization	3,970,869	-	3,970,869
Other assets:			
Pledges and grants receivable, less current portion and net of discounts	444,455	-	444,455
Temporarily restricted assets - Kiva-DAF, LLC:			
Cash and cash equivalents	-	611	611
Investments	-	3,524,507	3,524,507
Pledges and grants receivable current	-	3,525,000	3,525,000
Intangible asset	25,000	-	25,000
Other assets	56,927	-	56,927
Total other assets	526,382	7,050,118	7,576,500
	$ 16,201,002	$ 7,050,118	$ 23,251,120

Liabilities and Net Assets

	Kiva Microfunds	Kiva-DAF, LLC	Consolidated
Current liabilities:			
Accounts payable	$ 271,799	$ -	$ 271,799
Accrued expenses	605,707	-	605,707
Other current liabilities	15,397	-	15,397
Total current liabilities	892,903	-	892,903
Deferred rent obligation	199,964	-	199,964
Net assets:			
Unrestricted	12,479,917	118	12,480,035
Temporarily restricted	2,628,218	7,050,000	9,678,218
Total net assets	15,108,135	7,050,118	22,158,253
Total liabilities and net assets	$ 16,201,002	$ 7,050,118	$ 23,251,120

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

	Kiva Microfunds			Kiva-DAF, LLC			Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:									
Online donations	$ 6,739,273	$ -	$ 6,739,273	$ -	$ -	$ -	$ 6,739,273	$ -	$ 6,739,273
Auto-converted Kiva Cards	1,268,200	-	1,268,200	-	-	-	1,268,200	-	1,268,200
Auto-converted user accounts	1,915,197	-	1,915,197	-	-	-	1,915,197	-	1,915,197
Foundations	763,359	150,051	913,410	-	-	-	763,359	150,051	913,410
Corporate contributions	829,623	840,764	1,670,387	-	7,050,000	7,050,000	829,623	7,890,764	8,720,387
Individual contributions	655,657	247,337	902,994	-	-	-	655,657	247,337	902,994
Fees for service revenue	240,137	-	240,137	-	-	-	240,137	-	240,137
Interest income	54,264	-	54,264	3	-	3	54,267	-	54,267
Dividend income	27,754	-	27,754	8	-	8	27,762	-	27,762
Investment (loss) gain, net	(87,394)	-	(87,394)	107	-	107	(87,287)	-	(87,287)
Other income	1,511	-	1,511	-	-	-	1,511	-	1,511
Net assets released from restrictions	2,865,680	(2,865,680)	-	-	-	-	2,865,680	(2,865,680)	-
Total revenue and support	15,273,261	(1,627,528)	13,645,733	118	7,050,000	7,050,118	15,273,379	5,422,472	20,695,851
In-kind donations:									
Technology	6,262	-	6,262	-	-	-	6,262	-	6,262
Services	1,956,464	-	1,956,464	-	-	-	1,956,464	-	1,956,464
Use of facilities	4,700	-	4,700	-	-	-	4,700	-	4,700
Total in-kind donations	1,967,426	-	1,967,426	-	-	-	1,967,426	-	1,967,426
Total revenue and support including in-kind donations	17,240,687	(1,627,528)	15,613,159	118	7,050,000	7,050,118	17,240,805	5,422,472	22,663,277
Functional expenses:									
Program services	13,787,450	-	13,787,450	-	-	-	13,787,450	-	13,787,450
Management and general	2,082,038	-	2,082,038	-	-	-	2,082,038	-	2,082,038
Fundraising	884,174	-	884,174	-	-	-	884,174	-	884,174
Total functional expenses	16,753,662	-	16,753,662	-	-	-	16,753,662	-	16,753,662
Change in net assets	487,025	(1,627,528)	(1,140,503)	118	7,050,000	7,050,118	487,143	5,422,472	5,909,615
Net assets, beginning of year	11,992,892	4,255,746	16,248,638	-	-	-	11,992,892	4,255,746	16,248,638
Net assets, end of year	$ 12,479,917	$ 2,628,218	$ 15,108,135	$ 118	$ 7,050,000	$ 7,050,118	$ 12,480,035	$ 9,678,218	$ 22,158,253

KIVA MICROFUNDS AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2013

	Kiva Microfunds	Kiva-DAF, LLC	Consolidated
Cash flows from operating activities:			
Change in net assets	$ (1,140,503)	$ 7,050,118	$ 5,909,615
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	2,545,254	-	2,545,254
Unrealized/realized gains on investments	87,287	-	87,287
Changes in operating assets and liabilities:			
Cash restricted as to use	3,481,447	-	3,481,447
Funds held in trust	(26,832)	-	(26,832)
Pledges receivable, net of discounts	74,658	(3,525,000)	(3,450,342)
Unapplied funds	34,794	-	34,794
Due from Kiva User Funds Account	(109,726)	-	(109,726)
Prepaid expenses and other assets	(155,869)	-	(155,869)
Accounts payable	42,278	-	42,278
Accrued expenses	78,138	-	78,138
Other current liabilities	(3,267)	-	(3,267)
Deferred rent obligation	29,172	-	29,172
Net cash provided by operating activities	4,936,831	3,525,118	8,461,949
Cash flows from investing activities:			
Purchases of investments	(17,319,391)	(3,524,507)	(20,843,898)
Proceeds from sale of investments	11,094,681	-	11,094,681
Purchases of property and equipment	(60,420)	-	(60,420)
Capitalization of website and internet platform software development costs	(2,691,681)	-	(2,691,681)
Net cash used in investing activities	(8,976,811)	(3,524,507)	(12,501,318)
Net increase (decrease) in cash and cash equivalents	(4,039,980)	611	(4,039,369)
Cash and cash equivalents, beginning of year	8,194,277	-	8,194,277
Cash and cash equivalents, end of year	$ 4,154,297	$ 611	$ 4,154,908