



KIVA MICROFUNDS AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

18-MONTH PERIOD ENDED JUNE 30, 2022



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Kiva Microfunds and its subsidiaries (collectively "Kiva"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the 18-month period then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kiva as of June 30, 2022, and the changes in its net assets and its cash flows for the 18-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kiva, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kiva's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kiva's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kiva's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Abbott, Stringham & Lynch

November 18, 2022

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

Assets

Assets:

Cash and cash equivalents:	
Kiva and KCM	\$ 14,078,852
KUF	58,945,455
KDAF	2,207,511
Accounts receivable from KUF users	25,920
KUF loans receivable:	
Lending partners	87,876,837
U.S. Direct	16,276,354
Pledges and grants receivable	322,871
Due from affiliates	851,778
Prepaid expenses and other assets	1,072,085
Property and equipment, net of accumulated depreciation and amortization	92,228
Intangible assets, net of accumulated amortization	3,665,785
Investment in California Rebuilding Fund, LLC	3,368,942
Deposits	137,971
	\$ 188,922,589

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 1,520,306
Accrued expenses	1,190,014
Accounts payable to KUF lenders	196,430
Unsettled KUF loan transactions	112,674,080
Funds held on behalf of KUF users	36,432,007
Unredeemed Kiva Cards (KUF)	616,640
Due to affiliate	100,225
Deferred revenue	2,663,254
Deferred rent obligation	42,806
Total liabilities	155,435,762

Net assets:

Without donor restrictions	16,699,412
With donor restrictions	16,787,415
Total net assets	33,486,827
	\$ 188,922,589

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the 18-month Period Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Online donations	\$ 17,861,680	\$ -	\$ 17,861,680
Auto-converted Kiva Cards	507,670	-	507,670
Auto-converted user accounts	2,069,468	-	2,069,468
Foundation contributions	117,029	2,433,025	2,550,054
Corporate contributions	2,960,059	8,184,988	11,145,047
Individual contributions	7,465,997	265,892	7,731,889
Management fees/fee for service revenue	11,135,918	-	11,135,918
In-kind contributions	4,915,095	-	4,915,095
Forgiveness of Paycheck Protection Program loan	2,306,995	-	2,306,995
Interest income	246,539	-	246,539
Currency and KDAF loan losses	(106,737)	-	(106,737)
Reduction in California Rebuilding Fund, LLC equity	-	(1,738,409)	(1,738,409)
Other loss	(1,660)	-	(1,660)
Net assets released from restrictions	9,906,482	(9,906,482)	-
Total revenue and support	59,384,535	(760,986)	58,623,549
Functional expenses:			
Program services	43,562,936	-	43,562,936
Management and general	10,291,405	-	10,291,405
Fundraising	4,029,423	-	4,029,423
Total functional expenses	57,883,764	-	57,883,764
Change in net assets	1,500,771	(760,986)	739,785
Net assets, beginning of period	15,198,641	17,548,401	32,747,042
Net assets, end of period	\$ 16,699,412	\$ 16,787,415	\$ 33,486,827

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the 18-month Period Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Personnel expenses:				
Salaries	\$ 19,107,159	\$ 3,241,318	\$ 2,900,172	\$ 25,248,649
Payroll taxes	1,801,070	253,057	226,478	2,280,605
Benefits	1,918,697	228,047	232,066	2,378,810
Total personnel expenses	22,826,926	3,722,422	3,358,716	29,908,064
Other functional expenses:				
Contractors	4,888,474	2,155,356	34,204	7,078,034
Information technology	3,634,446	797,548	383,954	4,815,948
Depreciation and amortization	3,977,440	92,985	63,813	4,134,238
Professional fees	2,116,356	1,398,407	-	3,514,763
Bank fees	2,904,013	4,826	-	2,908,839
Marketing and communications	1,193,636	1,186,275	9,659	2,389,570
Occupancy	950,038	134,902	113,359	1,198,299
Insurance	120,470	272,955	14,856	408,281
Staff development	30,251	286,597	7,960	324,808
KDAF distributions	294,489	-	-	294,489
Portfolio related expenses	264,481	721	8,000	273,202
Office expense	148,227	87,120	10,207	245,554
Travel, conferences, and meetings	92,763	75,369	24,695	192,827
Tax and licenses	25,572	75,922	-	101,494
Bad debt expense	70,354	-	-	70,354
Grant	25,000	-	-	25,000
Total other functional expenses	20,736,010	6,568,983	670,707	27,975,700
Total functional expenses	\$ 43,562,936	\$ 10,291,405	\$ 4,029,423	\$ 57,883,764

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 18-month Period Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ 739,785
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,134,238
Reduction in California Rebuilding Fund, LLC equity	1,738,409
Forgiveness of Paycheck Protection Program loan	(2,306,995)
Loss on disposal of property and equipment	16,600
Changes in operating assets and liabilities:	
Pledges and grants receivable, net of allowance and discounts	(213,975)
Due from affiliates	(711,560)
Prepaid expenses, other assets, and deposits	(65,337)
Accounts payable	828,561
Accrued expenses	(638,502)
Due to affiliate	78,776
Deferred revenue	1,794,228
Deferred rent obligation	16,310
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Net cash provided by operating activities	5,410,538
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Cash flows from investing activities:	
Proceeds from the sale of investments	164,978
Capitalization of website and internet platform software development costs	(3,875,355)
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Net cash used in investing activities	(3,710,377)
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Cash flows from financing activities:	
KUF activities:	
Accounts receivable from users	38,926
Accounts payable to lenders	(53,484)
Unsettled loan transactions	7,856,175
Fund held on behalf of users	951,652
Unredeemed Kiva Cards	(221,450)
Deployment of user loans	(65,610,558)
Repayments from lending partners	55,175,874
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Net cash used in financing activities	(1,862,865)
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Net decrease in cash and cash equivalents	(162,704)
Cash and cash equivalents, beginning of period	<hr/> 75,394,522
Cash and cash equivalents, end of period	<hr/> <hr/> \$ 75,231,818

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the 18-month Period Ended June 30, 2022

Reconciliation of cash and cash equivalents with amounts reported on the consolidated statement of financial position:

Cash and cash equivalents - Kiva and KCM	\$ 14,078,852
Cash and cash equivalents - KUF	58,945,455
Cash and cash equivalents - KDAF	<u>2,207,511</u>

\$ 75,231,818

Supplemental cash flows information:

Cash paid during the year:

Franchise taxes	<u>\$ 26,800</u>
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Non-cash investing and financing activities

Forgiveness of Paycheck Protection Program loan	<u>\$ 2,306,995</u>
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KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 1 - Nature of operations

Kiva Microfunds (referred to hereinafter as "Kiva") is a nonprofit, tax-exempt organization founded in 2005. Kiva's mission is to expand financial access to help underserved communities thrive. Kiva currently partners with approximately 295 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 \$1.7 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 for the benefit of lenders in bank accounts and in government money market funds. KUF maintains these 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, these 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 lending 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 19,000 Direct loans with a value of approximately \$58 million have been funded since inception.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

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 in support of a specified managed lending program. The program ended in 2019 and KIF had no activity since that time.

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. Kiva announced that it would be ending the Kiva Protocol initiative effective June 30, 2022.

In December 2020, Jurnus LLC, a single member Delaware Limited Liability Company whose sole member is Kiva, was established to house Kiva’s block chain-related work with Diem, a global block chain-for-financial-inclusion initiative.

In July 2019, Kiva Capital Management LLC (referred hereinafter as “KCM”), a single member Delaware Limited Liability Company whose sole member is Kiva, was established to manage impact-first return bearing vehicles designed to further promote financial inclusion. In July 2019, Kiva Refugee Investment Fund, LLC (hereinafter referred to as KRIF), a Delaware Statutory Public Benefit Limited Liability Company, was established with KCM as its sole initial member. The purpose of KRIF is to make loans to microfinance institutions and social enterprises in support of refugees, internally displaced persons, and impacted host populations. KRIF commenced operations in May 2021. In October 2020, Small Business Resilience Fund LLC (referred hereinafter as “SBRF”), a Delaware Limited Liability Company, was established with KCM as its sole member. In November 2020, SBRF admitted a non-affiliated member who contributed equity, and KCM remained a non-equity management member (see Note 2). SBRF is treated as a disregarded entity for U.S. federal income tax purposes. The purpose of SBRF is to make loans to support lower income communities in selected geographies around the world to recover from the adverse impacts of COVID-19 on poverty and economic development.

In September 2020, California Rebuilding Fund, LLC (referred hereinafter as “CRF”), a single member Delaware Statutory Public Benefit Limited Liability Company whose sole member is Kiva, was established to raise funds from institutional investors to be lent to small businesses in California to address capital needs as they reopen and recover from the COVID-19 health and economic crisis. CRF is governed by a Governance and Allocation Committee comprising independent members of the business community, and will focus on small businesses with fewer than 50 employees located in historically under-resourced communities. The small business loans will be originated and serviced by local Community Development Financial Institutions with loan capital borrowed from CRF. CRF established two wholly owned special purpose vehicles, CASE G-SPV, LLC and CASE B-SPV, LLC, whose sole assets comprise 95% of the eligible small business loans. KCM serves as administrator for CRF (see Note 2).

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 1 - Nature of operations (continued)

Loans facilitated through microfinance institutions/lending partners

Individuals are eligible to become lenders on Kiva's platform by providing basic information, including their name and e-mail address. Once lenders have registered, Kiva automatically generates a profile page; however, lenders may choose to remain anonymous. Through the platform website, lenders can review the loan requests and select the borrowers they are interested in funding. Lenders can fund as little as \$25 and as much as the entire amount of the loan. Requested loan amounts vary, generally ranging from \$25 to \$50,000. Kiva relies on the local lending partner organization to screen and evaluate borrowers and set loan amounts and terms. Additionally, the lending partners work with the borrowers to collect their stories, pictures, and loan details and upload the information to Kiva's website for potential lenders to view. When lenders select the borrowers they want to fund on Kiva's platform, they generally do not make loans directly to the borrowers. Rather, the loan proceeds typically reimburse the lending partners for the loans that they distributed to borrowers when they were needed. Often, the loans are disbursed to the borrower before the loan details are posted on Kiva's website for lenders to view and fund. Even though Kiva lenders provide loan funds free of interest, the intermediary lending partner institutions typically charge the borrowers interest on their loans to help cover the institutions' operating costs. As of June 30, 2022, the average portfolio yield among Kiva's MFI lending partners was approximately 34 percent. As the intermediary lending partner institutions collect the scheduled repayments from borrowers, they retain the interest payments and any other fees they charge to help finance their operations, and transfer the amount of principal repayments to Kiva, which credits lenders' accounts for their share of the corresponding loans. If a borrower fails to make a scheduled payment, the lending partner notifies Kiva and lenders could potentially receive a late or partial payment or receive no payment. The repayment rate for all of its loans from all Kiva's partners as of June 30, 2022 was approximately 97 percent.

Kiva lenders do not earn interest on the loans they fund. Instead, Kiva emphasizes the potential social and economic benefits that lenders may help achieve, through their support of microfinance and entrepreneurship. To the extent that the funds from lenders provide Kiva's lending partners the capital to finance loans that they would not have otherwise made, the platform's activities may increase the supply of credit for individual borrowers who might not have access to traditional banking services in their home countries.

Lenders on Kiva's platform face credit risk – the possibility that they will lose their principal if borrowers or Kiva's lending partners fail to repay the loans. Kiva and its lending partners do not guarantee repayment of lenders' loans, so the lenders assume all of the risk that borrowers may not repay. In addition, lenders face risks because they rely on Kiva's lending partners to screen borrowers, service their loans, and transmit payments to Kiva. As a result, even if borrowers repay their loans, lenders may not be repaid due to a lending partner's bankruptcy, fraud, or poor operations, which are then generally disclosed on Kiva's website. Similarly, lenders face operational risks associated with their reliance on Kiva to screen and monitor its intermediary lending partners and effectively maintain its platform for servicing the loans and transmitting payments to lenders. Kiva also discloses on its website that lenders face potential currency risks and country-specific risks.

All loans on Kiva's website are denominated in U.S. dollars; however, generally, lending partners distribute loans in their local currency. Lenders on Kiva's platform face at least some currency risk whenever loans are made in local currency. The extent of the risk borne by the platform lender depends on the specific arrangement with the lending partner as detailed in Note 2.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 1 - Nature of operations (continued)

Direct loans facilitated through U.S. Direct program

In 2011, Kiva launched Zip in the U.S. and Kenya, a pilot program to allow Kiva users to fund loans that are disbursed directly to borrowers, without being channeled through a lending partner. In 2016, the program ceased funding this loan type in Kenya, and was renamed U.S. Direct ("Direct"). The Direct model relies on "character-based lending" to evaluate credit-worthiness. In order to be posted on the Direct website, borrowers generally must be recommended by a Direct trustee or work with a Lead in a Kiva City. 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 and are included in the accompanying balance sheets. Disbursement of loans, and collection and distribution of repayments are managed by Kiva. As of June 30, 2022, lenders had funded approximately 19,000 Direct loans, inclusive of loans made to Kenya, with a value of approximately \$58 million.

Crisis Support Loans

In a response to meet lending partners' needs during COVID-19, Kiva created *Crisis Support Loans*. These new, larger loans range in size from \$50,000 to \$500,000, and offer flexible repayment options to meet lending partners' needs, such as longer terms of 18-32 months, and grace periods of 6-9 months to begin making the first repayment installment. These loans provide direct funding to lending partners, to cover operational needs during this challenging period, including salaries and retention of staff, investment in communication technology to increase lending partners' ability to work remotely and continue to serve borrowers, and funding needed to create, market, and finance new emergency loan products specifically designed for entrepreneurs affected by this crisis. During the 18-month period ended June 30, 2022, \$3.7 million in Crisis Support Loans were provided to 24 lending partners.

Idle Capital Initiative

In February 2020, Kiva launched a new initiative to leverage idle capital held in KUF lender accounts. In an effort to put more funds to work in the lending process to increase Kiva's impact, an auto-lending feature was put in place for all lenders who did not opt out, whereby lender funds would automatically be lent after a set period of inactivity, starting at 90-days. Lenders enrolled in auto-lending can set their lending preferences, but if no preferences are selected, Kiva's Impact Investments team has some discretion as to how auto-lending funds are deployed. In addition, unless changed by the lender, 15% of each auto-loan will be taken from the lender's account as a donation to Kiva. Total auto-lending donations have increased as more funds are deployed and incremental loans are funded through our platform. Conversely, inactive balance donations have declined with the decrease in idle capital. Total donations from auto-lending during the 18-month period ended June 30, 2022 were approximately \$3.1 million.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Kiva Microfunds, Kiva User Funds LLC, Kiva-DAF, LLC, and Kiva Capital Management, LLC (collectively "Kiva"). All significant balances and transactions between the entities have been eliminated in consolidation. The following entities are considered to be affiliates of Kiva and are not consolidated due to lack of ownership or control from Kiva: CRF, SBRF and KRIF. Amounts due from these affiliates at June 30, 2022 totaled \$851,778.

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 generally 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 and grants.

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, useful lives of property and equipment and intangibles, the default rate on managed lending contracts, value of in-kind contributions, and allocation of functional expenses. 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.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies (continued)

Accounts receivable from users

KUF users make deposits to their accounts to fund transactions. In some instances, these user deposits fail. When a failure occurs, a lender's account balance will go negative creating a lender account receivable and requiring the lender to replenish their account. In cases where the account is not replenished, Kiva will collect the amounts outstanding as loans are repaid to the lender or via reversal of any donations to Kiva made by the lender. In cases where this is not sufficient, negative account balances will be written off by Kiva.

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 by Kiva to reflect the default rate on the KUF lending platform. These amounts are eliminated in consolidation between Kiva and KUF because they are also recognized in loans receivable since they have not completed their designated lending cycle.

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. Allowance for uncollectible pledges and grants receivable amounted to approximately \$575,000 at June 30, 2022. The full amount of the allowance relates to the managed lending contracts and is eliminated in consolidation.

Kiva discounts grants receivable that are expected to be collected in future periods using an appropriate discount rate commensurate with the risks involved. Discounts on long-term pledges and grants receivables are not considered material at June 30, 2022.

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 June 30, 2022 represent funds deployed as loans net of repayments, as well as funds available for lending. The amounts that have not completed their lending cycle, which totaled \$7,053,097 at June 30, 2022, have been eliminated in consolidation.

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

Upon donors' instructions, KDAF distributed approximately \$2,850,000 to Kiva, for the years ended June 30, 2022. These distributions are also eliminated in consolidation.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies (continued)

Loans receivable

Kiva distributes loans held in KUF accounts that have been fully funded by lenders via lending partners, or directly to the borrowers in the case of the Direct loans. Loans receivable are made up of the total net amount outstanding from the lending relationship between Kiva and its lending partners and Direct borrowers. Payables and receivables are maintained on a partner-by-partner and loan by loan basis.

All loans become payable to Kiva's partners/borrowers when they are fully funded. On a monthly basis, these loans as well as billing and currency adjustments are aggregated by each individual lending partner for remittance purposes. All loans on Kiva's website are denominated in U.S. dollars; however, lending partners distribute loans in their local currency. Non-partner investment (PI) partners are liable for covering losses originating from unfavorable currency exchange rates up to a certain threshold, currently set at 10%. Losses above this threshold are passed on to lenders, thus enabling them to protect the lending partner and its borrowers from catastrophic currency devaluations. PI partners without the currency peg are liable for covering all losses originating from unfavorable currency exchange rates. For PI partners with the currency peg, lenders are liable for covering all losses originating from unfavorable currency exchange rates. In addition, PI loans with the currency peg may see gains originating from favorable currency exchange rates. These gains will be used to offset any losses lenders incurred on the same loan. If there are any excess gains at the end of a loan term, the gains will be transferred to a Kiva operated account to help fund operations or be used for loan matching. Simultaneously, lending partners are responsible for collecting repayments from their borrowers and submitting a report to Kiva regarding the payment status of all of their outstanding loans. Kiva uses a net billing process, aggregating the amount due to partners versus the amount of repayments received by partners, to compute a total amount due to/from each partner.

Kiva distributes Direct loans held in KUF accounts that have been fully funded by lenders directly to borrowers.

Loans receivable represents amounts disbursed to borrowers that have not been repaid or defaulted. No reserve or provision for uncollectible loans receivable is recorded by KUF as the risk of loan loss is borne by the lenders per the lender agreements with the users.

Accounts payable to lenders

Accounts payable to lenders is made up of amounts users have requested to withdraw from KUF that are awaiting final payment processing. In the vast majority of cases, withdrawals are processed via PayPal.

Unsettled loan transactions

Kiva's platform facilitates the purchase of loans in \$25 increments for borrowers posted on its website. All lending on Kiva's website involves the risk of principal loss to the lender as Kiva does not guarantee repayment.

Unsettled loan transactions are amounts outstanding to lenders and represent loans funded by lenders that have not expired or been refunded, been repaid via distribution of borrower repayments, or been defaulted. Loans become payable to Kiva's lending partners (or directly to borrowers in the case of Direct loans) once the loan is fully funded or, if partially funded, for most loans after the stated purchase time (generally 30 days from posting). In the case when a loan is not fully funded within the stated purchase time, a small minority of loans will expire rather than partially fund, thus returning funds back to the original lender. As loans are repaid by borrowers, funds become payable to the lender through the settlement process.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies (continued)

Funds held on behalf of users

Deposits are made into the KUF financial system via PayPal processed transactions, checks, Kiva Card gift product redemptions, and through third party matching, incentive, and free trial programs. All deposited funds and repayments received from borrowers are held on behalf of users to be used at their discretion. Deposited funds are temporarily housed in KUF's PayPal account and are subsequently maintained in accounts at a bank to ensure accessibility and liquidity. Participants on Kiva's web-based platform use deposited funds to purchase loans, make donations to Kiva, purchase Kiva Cards (which transfer deposits to a card recipient), and to reclaim deposited funds via withdrawal. Funds held on behalf of users is made up of three categories: individual lender accounts, managed lending accounts, and Kiva funded promotional lending accounts (Kiva Fund Pool).

Revenue recognition - contracts with customers

Kiva's fee for service revenue includes Partner Investment (PI) revenue and US hub revenue. PI revenue represents administrative fees charged to the MFI or Lending Partner on loan funds advanced for approved borrowers. Fee percentages are stipulated in the contracts with the MFIs and Lending Partners who are located in over ninety countries. PI revenue is assessed monthly and is based upon loan fund amounts raised through Kiva's website. PI revenue is collected at the time loan funds are transmitted to the MFI and Lending Partner, and recognized at a point in time, and settled through the monthly net billing process.

The following table provides Kiva's disaggregated PI revenue by primary geographical location for the 18-month period ended June 30, 2022:

Africa	\$ 1,793,142
Asia	1,550,986
South America	693,757
Central America	587,653
Oceania	228,265
Eastern Europe	194,083
Middle East	122,521
North America	32,486
	<u>\$ 5,202,893</u>

US hub revenue relates to Kiva's efforts in introducing product innovations, increasing the capacity of social enterprises, and provide training and resources for micro-lending. Revenue for these services is recognized over the lives of these contracts, generally between one to three years. Revenue generated from these contracts are within North America. US hub revenue amounted to \$1,646,999 for the 18-month period ended June 30, 2022. Deferred revenue represents amounts received in advance for those services to be rendered in the future.

Kiva's fee for service revenue also includes revenue derived from a governmental subcontract to design and implement the Kiva Invest in Women Fund, an impact-first fund that aims to combine a traditional institutional fund with a retail loan fund and a foreign exchange facility. Revenue from this contract totaled \$1,800,713 and is recognized at specific points in time as each milestone outlined in the agreement is accepted by the prime contractor. At June 30, 2022, Kiva has \$373,813 remaining to earn on this subcontract. Revenue generated from this contract is within North America.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies (continued)

Revenue recognition - management fees

Management fees represent administrative fees charged by KCM to CRF, KRIF, and SBRF for administrative management services provided by KCM. Fee amounts and timing are specified in individual contracts with CRF, KRIF, and SBRF. Management fees are recognized over time as actual services are provided. Kiva is using a cost-based input method to recognize revenue, as Kiva believes that this method provides a more accurate depiction of the transfer of services based on the inputs needed to satisfy the obligations. Management fees amounted to \$2,485,313 for the 18-month period ended June 30, 2022.

Financing components

All revenues are short-term in nature and do not have any significant financing component, as payment is received at, or shortly after, the request for payment is issued.

Contract liability - deferred revenue

Deferred revenue (contract liability) represents amounts received from customers for services yet to be performed. The beginning deferred revenue balance at January 1, 2021 was \$869,026. The increase in deferred revenue was a result of normal business activity of KDAF and not materially affected by any other factors.

Revenue recognition - contributions

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 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.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

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. Kiva reports the fair value of donated goods and services meeting recognition criteria under U.S. GAAP as public support and as expense, based on estimated fair value. Contributed nonfinancial assets did not include any donor restrictions.

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

Donated securities are recorded at market value on the date received or at nominal value when the market value is not readily available. It is Kiva's policy to sell donated securities immediately after receiving the donation. At June 30, 2022, Kiva did not hold any investment in marketable securities.

Fair value measurements

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

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

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

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

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

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies (continued)

Fair value measurements (continued)

The application of this guidance does not have a significant impact on Kiva's consolidated financial statements. All of the carrying amounts of the Organization's financial assets and liabilities on the accompanying consolidated statement of financial position approximate fair value because of the short maturity of these instruments and are all valued at Level 1.

GAAP requires the disclosure of the fair value of financial instruments at the balance sheet date. For financial instruments where there are no quoted market prices, a reasonable estimate of fair value would require incurring excessive costs. Because the mission of KUF is to raise and lend funds at zero percent interest rates, these disclosures for KUF's loans receivable, unsettled loan transactions, and funds held on behalf of users are not meaningful and are not presented in these consolidated financial statements.

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 at the date of donation. 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.

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 June 30, 2022, 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.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies (continued)

Tax-exempt status and income and franchise taxes (continued)

KUF, KDAF, KIF, KCM, KRIF, SBRF, CRF, CASE G-SPV, CASE B-SPV, LLC, KP, and Jurnus are single member LLCs and are disregarded entities for Federal income tax purposes. Under California law, KUF, KDAF, KIF, KCM, KRIF, SBRF, CRF, CASE G-SPV, CASE B-SPV, KP, and Jurnus 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 June 30, 2022. Kiva, KUF, KDAF, KIF, KCM, KRIF, SBRF, CRF, CASE G-SPV, CASE B-SPV, KP, and Jurnus are subject to examination by major tax jurisdictions back to 2019, or inception of the entity in the case of KCM, KRIF, SBRF, CRF, CASE G-SPV, CASE B-SPV, KP, and Jurnus.

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 programs and supporting services 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.

Accounting for ownership interest in CRF

Though Kiva is the sole member of CRF, a Statutory Public Benefit LLC established in Delaware, Kiva has not consolidated CRF'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 CRF on the equity basis. CRF is governed by a Governance and Allocation Committee comprised of independent members of the business community. KCM serves as administrator for CRF. As of June 30, 2022, CRF's equity balance is \$3,368,942.

New accounting pronouncements not yet adopted

In 2016 and through subsequent amendments, 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 July 1, 2022. Kiva is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year beginning July 1, 2023. Kiva is currently in the process of evaluating the impact of adoption of this ASU on its consolidated financial statements.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 2 - Summary of significant accounting policies (continued)

New accounting pronouncements not yet adopted (continued)

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.

Subsequent events

In preparing its consolidated financial statements, Kiva has evaluated subsequent events through November 18, 2022, which is the date the consolidated financial statements were available to be issued.

Note 3 - Liquidity and availability of resources

The following table reflects Kiva's financial assets as of June 30, 2022, 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 June 30, 2022 are as follows:

Financial assets:	
Cash and cash equivalents:	
Kiva and KCM	\$ 14,078,852
KUF	58,945,455
KDAF	2,207,511
Pledges and grants receivable	322,871
Due from affiliate	<u>851,778</u>
Total financial assets	<u>76,406,467</u>
Less:	
Cash held in KUF user accounts	(58,945,455)
Cash held in KDAF	(2,207,511)
Accounts payable and accrued liabilities	(2,710,320)
Due to affiliate	(100,225)
Net assets with donor restrictions	<u>(550,000)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 11,892,956</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 held to meet donor restrictions is available for general expenditures provided that the donor restrictions are also met during the ensuing year.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 4 - Property and equipment

Property and equipment consisted of the following at June 30, 2022:

Office furniture and fixtures	\$ 221,481
Computer equipment	<u>1,094,413</u>
	1,315,894
Less: accumulated depreciation and amortization	<u>(1,223,666)</u>
	<u>\$ 92,228</u>

Depreciation and amortization expense for property and equipment for the 18-month period ended June 30, 2022 was \$55,695.

Note 5 - Intangibles

Intangible assets consisted of the following at June 30, 2022:

In-house internet platform software	\$ 27,291,092
Domain name (indefinite life)	<u>25,000</u>
	27,316,092
Less: accumulated amortization	<u>(23,650,307)</u>
	<u>\$ 3,665,785</u>

Amortization expense for the in-house internet platform software was \$4,078,543 for the 18-month period ended June 30, 2022.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 2,178,083
2024	1,152,567
2025	<u>310,135</u>
	<u>\$ 3,640,785</u>

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 6 - Managed lending and Kiva Fund Pools

Managed lending accounts are accounts funded by a corporation/foundation/individual that can be used by the contributing organization's employees to make loans through KUF on the Kiva platform, or for free trial or matching loan programs available to all users. There is generally a contract in place between Kiva and the corporation/foundation/individual, which stipulates how funds will be lent across the site based on specified dimensions. Additionally, these contracts will state how many rounds of loans the program will be eligible for, and ways in which funds can be withdrawn by the sponsoring organization or individual.

There is also a Kiva Fund Pool that is funded by a promotional marketing expense from Kiva, where the funds are used to offer 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 and the funds will never be returned to Kiva.

At June 30, 2022, managed lending and Kiva Fund Pool balances available for lending were \$794,215 and \$549,647, respectively. Managed lending and Kiva Fund Pool balances are included in "Funds held on behalf of users" in the accompanying consolidated statement of financial position.

Note 7 - Kiva Cards

Kiva Cards are a hybrid product with a built-in feature that allows them to auto-convert into a donation to Kiva per the terms of use if they are not redeemed to support a microloan on the Kiva platform within 12-months of purchase. Kiva Cards provide a way for one individual to give Kiva Credit to another individual. Once the card is redeemed, it is reclassified from "unredeemed Kiva Cards" to "Kiva Credit." With this credit, individuals can purchase a loan, purchase another Kiva Card, make a donation, or withdraw the funds from the Kiva system. At June 30, 2022, the unredeemed Kiva Cards balance was \$616,640.

Note 8 - Paycheck Protection Program loan payable

On April 18, 2020, Kiva received loan proceeds in the amount of \$2,306,995 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provided for loans to qualifying businesses for amounts of up to 2.5 times the average monthly payroll expenses of the qualifying business for the qualifying time period. The loan and accrued interest are forgivable after the applicable time period in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

On September 21, 2021, upon completion of the loan forgiveness application review by the SBA, Kiva received confirmation that the principal balance of \$2,306,995 and the related accrued interest was forgiven.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 9 - Net assets with donor restrictions

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

	December 31, 2020	Additions	Released from Restrictions	June 30, 2022
Product innovation	\$ 9,953,243	\$ 7,142,177	\$ (8,239,388)	\$ 8,856,032
Investment in CRF	4,697,351	410,000	(1,738,409)	3,368,942
Time restricted	2,195,930	3,331,728	(965,217)	4,562,441
Geographical	701,877	-	(701,877)	-
	\$ 17,548,401	\$ 10,883,905	\$(11,644,891)	\$ 16,787,415

Note 10 - Commitments

In January of 2020, Kiva entered into an operating lease agreement for an office space in San Francisco. The lease term is for five years and the lease agreement calls for minimum monthly lease payments beginning at \$40,102 with escalating rent payments beginning in March 2020, and increasing annually thereafter. Kiva records rent expense on a straight-line basis, and has recorded a deferred rent liability of \$42,806 as of June 30, 2022.

In April 2017, Kiva entered into a new operating lease agreement for office space in Nairobi, Kenya which was due to expire in March 2022. This lease has been extended to March 2024. Kiva records rent expense on a straight-line basis, and has recorded no deferred rent liability for this lease as of June 30, 2022.

The Organization also rents office space in New York, Oregon, Thailand and Columbia on a month-to-month basis for approximately \$25,000 a month, in the aggregate.

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

Year Ending June 30,	Amount
2023	\$ 531,965
2024	543,350
2025	361,078
	\$ 1,436,393

Rent expense, which includes Kiva's portion of common area expenses, amounted to \$1,100,756 for the 18-month period ended June 30, 2022.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 11 - In-kind contributions

In fiscal year 2022, Kiva adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* using a retrospective method. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

The following table summarizes the categories of contributed nonfinancial assets and other required qualitative disclosures for the 18-month period ended June 30, 2022:

	Utilization in Programs/Activities	Valuation Techniques and Inputs	Amount
Bank Fees	Program support	Valuation is provided by the donor and is based on the price the Kiva would pay for similar service in the market.	\$ 2,719,774
Legal	Program and Management & General support	Valuation is provided by the donor and is based on the price the Kiva would pay for similar service in the market.	2,000,637
Marketing and Communication	Program support	Valuation is provided by the donor and is based on the price the Kiva would pay for similar service in the market.	166,277
Fraud Detection	Program support	Valuation is provided by the donor and is based on the price the Kiva would pay for similar service in the market.	28,407
			<u>\$ 4,915,095</u>

Note 12 - Related-party transactions

Kiva contracted with one current Board member in an executive level advisory role. The contract calls for payment of monthly fees. The agreement is reviewed and renewed by the Board on an annual basis. Kiva incurred approximately \$204,000 under this contract during the 18-month period ended June 30, 2022.

Note 13 - 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 when funded. During the 18-month period ended June 30, 2022, matching and discretionary contributions of \$629,256 were made to the Plan.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 14 - Concentrations, risk and uncertainties

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, government money market funds and pledges and grants receivable.

Kiva maintains its cash 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.

At June 30, 2022, Kiva had outstanding receivables from one grantor representing 77% of pledges and grants receivable, respectively.

The top cash exposures for outstanding loans receivable balances with lending partners that KUF has in its portfolio are as follows:

	As of June 30. 2022	% Cash Exposure
Palestine for Credit & Development (FATEN)	\$ 4,524,462	5.15%
Negros Women for Tomorrow Foundation (NWTF)	4,150,456	4.72%
Juhudi Kilimo	3,015,977	3.43%
Fundación Paraguaya	2,590,195	2.95%
CAURIE Microfinance	2,429,115	2.76%
Bai Tushum Bank	2,411,874	2.74%
One Acre Fund	2,184,042	2.49%
IMON International	2,088,948	2.38%
Al Majmoua	2,001,388	2.28%
Humo	1,908,459	2.17%
Total	<u>\$ 27,304,916</u>	<u>31.07%</u>

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 14 - Concentrations, risk and uncertainties (continued)

The top countries in terms of cash exposures for loans receivable balances with lending partners are as follows:

<u>Country</u>	<u># of Partners</u>	<u>% Active Lenders</u>	<u>As of June 30, 2022</u>	<u>% Cash Exposure</u>
Kenya	27	9.2%	\$ 8,627,872	9.8%
Philippines	5	1.7%	4,559,345	5.2%
Palestine	1	0.3%	4,524,462	5.1%
Tajikistan	2	0.7%	3,997,406	4.5%
Uganda	11	3.7%	3,629,179	4.1%
Ecuador	10	3.4%	3,369,488	3.8%
Lebanon	3	1.0%	3,209,192	3.7%
Rwanda	7	2.4%	2,886,408	3.3%
Senegal	3	1.0%	2,739,866	3.1%
Paraguay	3	1.0%	2,726,139	3.1%
Total	<u>72</u>	<u>24.4%</u>	<u>\$ 40,269,357</u>	<u>45.7%</u>

As of June 30, 2022, total exposure to partners was \$87,876,837 and 295 partners were active lenders.

During the 18-month period ended June 30, 2022, the total defaulted loans amongst all partners was approximately \$5,500,000 and the U.S. and Kenya accounted for 29% and 9% of defaulted loans, respectively.

During the 18-month period ended June 30, 2022, the maximum loan amount authorized for borrowing under the Direct program was generally \$15,000. However, KUF will authorize a loan amount that is larger than the maximum, based on an assessment of the borrower. As of June 30, 2022, there were thirteen Direct loans outstanding that exceeded \$15,000. Eleven loans were \$25,000, one was \$20,000, and one was \$18,000. All were disbursed after November 2017.

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of certain of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon the current global economic, and political environment. In addition, domestic and international economies face uncertainty related to the impact of the COVID-19 pandemic. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's funders, employees, and those being provided service, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

KIVA MICROFUNDS AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022

Note 15 - Loans settleable to lenders (unaudited)

The following table shows the total outstanding loan balances for all loans purchased and funded that were being paid back by the borrowers as of June 30, 2022. Outstanding loans include the full value of each loan, and reflect the amount of principal that has already been repaid by the borrower. KUF loans receivable reflects the initial loan principals net of repayments. However, it does not include currency exchange adjustments and loan refunds. As a result, KUF loans receivable is not an exact reflection of the amount expected to settle in cash.

	As of June 30, 2022	
	Lending Partners	Direct
KUF loans outstanding, gross	\$ 181,054,604	\$ 24,580,125
Less: Principal repayments	(93,177,768)	(8,303,771)
KUF loans receivable	\$ 87,876,836	\$ 16,276,354

Loan repayments are required to be made on a monthly basis per the terms of each loan agreement with lending partners and Direct borrowers. Kiva tracks loan delinquency for each lending partner and for the Direct program. As of June 30, 2022, the following tables show total delinquent amounts and the number of days' delinquent.

	As of June 30, 2022	
	Field Partners	Direct
Outstanding - 30 days	\$ 1,988,968	\$ 216,358
Outstanding - 60 days	1,017,637	150,895
Outstanding - 90 days	890,796	140,027
Outstanding - 120 days	12,705,152	1,373,115
Total	\$ 16,602,553	\$ 1,880,395
Delinquency rate	18.89%	11.55%

SUPPLEMENTARY INFORMATION

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2022

	Assets					
	Kiva Microfunds	Kiva Capital Management, LLC	Kiva User Funds LLC	Kiva-DAF, LLC	Eliminations	Consolidated
Assets:						
Cash and cash equivalents	\$ 12,992,942	\$ 1,085,910	\$ 58,945,455	\$ 2,207,511	\$ -	\$ 75,231,818
Accounts receivable from users	-	-	25,920	-	-	25,920
Loans receivable:						
Lending partners	-	-	87,876,837	-	-	87,876,837
U.S. Direct	-	-	16,276,354	-	-	16,276,354
Pledges and grants receivable, net of allowance and discounts	5,280,212	-	-	-	(4,957,341)	322,871
Due from affiliates	1,194,972	1,067,578	-	-	(1,410,772)	851,778
Prepaid expenses and other assets	1,072,085	-	-	-	-	1,072,085
Property and equipment, net of accumulated depreciation and amortization	92,228	-	-	-	-	92,228
Intangible assets, net of accumulated amortization	3,665,785	-	-	-	-	3,665,785
Investment in California Rebuilding Fund, LLC	3,368,942	-	-	-	-	3,368,942
Kiva-DAF, LLC - Donor-advised funds for microloans	-	-	-	7,053,097	(7,053,097)	-
Deposits	137,971	-	-	-	-	137,971
	<u>\$ 27,805,137</u>	<u>\$ 2,153,488</u>	<u>\$ 163,124,566</u>	<u>\$ 9,260,608</u>	<u>\$ (13,421,210)</u>	<u>\$ 188,922,589</u>

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

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30, 2022

Liabilities and Net Assets

	Kiva Microfunds	Kiva Capital Management, LLC	Kiva User Funds LLC	Kiva-DAF, LLC	Eliminations	Consolidated
Liabilities:						
Accounts payable	\$ 1,520,306	\$ -	\$ -	\$ -	\$ -	\$ 1,520,306
Accrued expenses	1,190,014	-	-	-	-	1,190,014
Accounts payable to lenders	-	-	196,430	-	-	196,430
Due to affiliate	316,026	-	1,194,971	-	(1,410,772)	100,225
Unsettled loan transactions	-	-	119,727,177	-	(7,053,097)	112,674,080
Funds held on behalf of users	-	-	41,389,348	-	(4,957,341)	36,432,007
Unredeemed Kiva Cards	-	-	616,640	-	-	616,640
Deferred revenue	455,743	-	-	2,207,511	-	2,663,254
Deferred rent obligation	42,806	-	-	-	-	42,806
Total liabilities	3,524,895	-	163,124,566	2,207,511	(13,421,210)	155,435,762
Net assets:						
Without donor restrictions	14,499,692	2,153,488	-	46,232	-	16,699,412
With donor restrictions	9,780,550	-	-	7,006,865	-	16,787,415
Total net assets	24,280,242	2,153,488	-	7,053,097	-	33,486,827
	\$ 27,805,137	\$ 2,153,488	\$ 163,124,566	\$ 9,260,608	\$ (13,421,210)	\$ 188,922,589

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

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

18-Month Period Ended June 30, 2022

	Kiva Microfunds			Kiva Capital Management, LLC			Kiva-DAF, 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	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:													
Online donations	\$ 17,861,680	\$ -	\$ 17,861,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,861,680	\$ -	\$ 17,861,680
Auto-converted Kiva Cards	507,670	-	507,670	-	-	-	-	-	-	-	507,670	-	507,670
Auto-converted user accounts	2,069,468	-	2,069,468	-	-	-	-	-	-	-	2,069,468	-	2,069,468
Foundation contributions	117,029	2,433,025	2,550,054	-	-	-	-	-	-	-	117,029	2,433,025	2,550,054
Corporate contributions	2,960,059	5,366,226	8,326,285	-	-	-	-	2,818,762	2,818,762	-	2,960,059	8,184,988	11,145,047
Individual contributions	7,465,997	161,212	7,627,209	-	-	-	-	104,680	104,680	-	7,465,997	265,892	7,731,889
Management fees/fee-for-service	11,497,769	-	11,497,769	2,485,313	-	2,485,313	-	-	-	(2,847,164)	11,135,918	-	11,135,918
In-kind contributions	4,915,095	-	4,915,095	-	-	-	-	-	-	-	4,915,095	-	4,915,095
Forgiveness of Paycheck Protection Program loan	2,306,995	-	2,306,995	-	-	-	-	-	-	-	2,306,995	-	2,306,995
Interest income	246,539	-	246,539	-	-	-	-	-	-	-	246,539	-	246,539
Currency and KDAF loan loss Reduction in California	(8,345)	-	(8,345)	-	-	-	(98,392)	-	(98,392)	-	(106,737)	-	(106,737)
Rebuilding Fund, LLC equity	-	(1,738,409)	(1,738,409)	-	-	-	-	-	-	-	-	(1,738,409)	(1,738,409)
Other income (loss)	(9,180)	-	(9,180)	7,520	-	7,520	-	-	-	-	(1,660)	-	(1,660)
Net assets released from restrictions	6,518,700	(6,518,700)	-	-	-	-	3,387,782	(3,387,782)	-	-	9,906,482	(9,906,482)	-
Total revenue and support	56,449,476	(296,646)	56,152,830	2,492,833	-	2,492,833	3,289,390	(464,340)	2,825,050	(2,847,164)	59,384,535	(760,986)	58,623,549
Functional expenses:													
Program services	42,904,433	-	42,904,433	269,782	-	269,782	3,235,885	-	3,235,885	(2,847,164)	43,562,936	-	43,562,936
Management and general	10,291,405	-	10,291,405	-	-	-	-	-	-	-	10,291,405	-	10,291,405
Fundraising	4,029,423	-	4,029,423	-	-	-	-	-	-	-	4,029,423	-	4,029,423
Total functional expenses	57,225,261	-	57,225,261	269,782	-	269,782	3,235,885	-	3,235,885	(2,847,164)	57,883,764	-	57,883,764
Change in net assets	(775,785)	(296,646)	(1,072,431)	2,223,051	-	2,223,051	53,505	(464,340)	(410,835)	-	1,500,771	(760,986)	739,785
Net assets:													
Beginning of period	15,275,477	10,077,196	25,352,673	(69,563)	-	(69,563)	(7,273)	7,471,205	7,463,932	-	15,198,641	17,548,401	32,747,042
End of period	\$ 14,499,692	\$ 9,780,550	\$ 24,280,242	\$ 2,153,488	\$ -	\$ 2,153,488	\$ 46,232	\$ 7,006,865	\$ 7,053,097	\$ -	\$ 16,699,412	\$ 16,787,415	\$ 33,486,827

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

KIVA MICROFUNDS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS

18-Month Period Ended June 30, 2022

	Kiva Microfunds	Kiva Capital Management, LLC	Kiva User Funds LLC	Kiva-DAF, LLC	Eliminations	Consolidated
Cash flows from operating activities:						
Change in net assets	\$ (1,072,431)	\$ 2,223,051	\$ -	\$ (410,835)	\$ -	\$ 739,785
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	4,134,238	-	-	-	-	4,134,238
Reduction in California Rebuilding Fund, LLC equity	1,738,409	-	-	-	-	1,738,409
Forgiveness of Paycheck Protection Program loan	(2,306,995)	-	-	-	-	(2,306,995)
Loss from disposition of property and equipment	16,600	-	-	-	-	16,600
Changes in operating assets and liabilities:						
Pledges and grants receivable, net of allowance and discounts	(2,571,073)	-	-	-	2,357,098	(213,975)
Due from affiliates	139,571	(927,360)	-	-	76,229	(711,560)
Prepaid expenses, other assets, and deposits	(65,337)	-	-	-	-	(65,337)
Accounts payable	828,561	-	-	-	-	828,561
Accrued expenses	(638,227)	-	-	(275)	-	(638,502)
Due to affiliate	294,576	(209,781)	-	-	(6,019)	78,776
Deferred revenue	(413,283)	-	-	2,207,511	-	1,794,228
Deferred rent obligation	16,310	-	-	-	-	16,310
Net cash provided by operating activities	100,919	1,085,910	-	1,796,401	2,427,308	5,410,538
Cash flows from investing activities:						
Proceeds from the sale of investments	164,978	-	-	-	-	164,978
Increase in donor-advised funds for microloans, net of repayments	-	-	-	411,110	(411,110)	-
Capitalization of website and internet platform software development costs	(3,875,355)	-	-	-	-	(3,875,355)
Net cash (used in) provided by investing activities	(3,710,377)	-	-	411,110	(411,110)	(3,710,377)

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

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)

18-Month Period Ended June 30, 2022

	Kiva Microfunds	Kiva Capital Management, LLC	Kiva User Funds LLC	Kiva-DAF, LLC	Eliminations	Consolidated
Cash flows from financing activities:						
KUF activities:						
Accounts receivable from users	-	-	38,926	-	-	38,926
Accounts payable to lenders	-	-	(53,484)	-	-	(53,484)
Due to affiliate	-	-	469,435	-	(469,435)	-
Unsettled loan transactions	-	-	9,814,048	-	(1,957,873)	7,856,175
Fund held on behalf of users	-	-	540,542	-	411,110	951,652
Unredeemed Kiva Cards	-	-	(221,450)	-	-	(221,450)
Deployment of user loans	-	-	(65,610,558)	-	-	(65,610,558)
Repayments from lending partners	-	-	55,175,874	-	-	55,175,874
Net cash provided by (used in) financing activities	-	-	153,333	-	(2,016,198)	(1,862,865)
Net (decrease) increase in cash and cash equivalents	(3,609,458)	1,085,910	153,333	2,207,511	-	(162,704)
Cash and cash equivalents, beginning of period	16,602,400	-	58,792,122	-	-	75,394,522
Cash and cash equivalents, end of period	<u>\$ 12,992,942</u>	<u>\$ 1,085,910</u>	<u>\$ 58,945,455</u>	<u>\$ 2,207,511</u>	<u>\$ -</u>	<u>\$ 75,231,818</u>
Reconciliation of cash and cash equivalents with amounts reported on the consolidated statement of financial position:						
Cash and cash equivalents - Kiva and KCM	\$ 12,992,942	\$ 1,085,910	\$ -	\$ -	\$ -	\$ 14,078,852
Cash and cash equivalents - KUF	-	-	58,945,455	-	-	58,945,455
Cash and cash equivalents - KDAF	-	-	-	2,207,511	-	2,207,511
	<u>\$ 12,992,942</u>	<u>\$ 1,085,910</u>	<u>\$ 58,945,455</u>	<u>\$ 2,207,511</u>	<u>\$ -</u>	<u>\$ 75,231,818</u>

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

KIVA MICROFUNDS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)

18-Month Period Ended June 30, 2022

Supplemental cash flows information:

Cash paid during the year:

Franchise taxes

<u>\$ 26,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,800</u>
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Non-cash investing and financing activities

Forgiveness of Paycheck Protection Program loan

<u>\$ 2,306,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,306,995</u>
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