KIVA MICROFUNDS

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

KIVA MICROFUNDS
(A NONPROFIT ORGANIZATION)
CONTENTS
December 31, 2011 and 2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kiva Microfunds
San Francisco, California

We have audited the accompanying statements of financial position of Kiva Microfunds (the "Organization") as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kiva Microfunds as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

SingerLewak LLP

SingerLewak LLP

San Jose, California
April 30, 2012

KIVA MICROFUNDS
(A NONPROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	$ 8,327,737	$ 7,283,345
Cash designated for temporarily restricted net assets	576,794	1,001,473
Restricted cash	147,160	-
Accounts receivable	431	984
Pledges and grants receivable, current	1,226,871	814,483
Unapplied funds	117,795	3,270
Due from Kiva User Funds Account	260,405	783,712
Investment	-	7,250
Prepaid expenses	283,852	243,365
Total current assets	10,941,045	10,137,882
Property and equipment	2,668,483	1,279,384
Other assets		
Pledges and grants receivable, less current portion and net of discounts	45,244	108,537
Intangible asset	25,000	25,000
Other assets	61,652	14,421
Total other assets	131,896	147,958
Total assets	**$ 13,741,424**	**$ 11,565,224**

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Accounts payable	$ 180,448	$ 127,331
Accrued expenses	459,280	296,607
Other current liabilities	18,139	7,810
Total current liabilities	657,867	431,748
Deferred rent	63,464	11,659
Total liabilities	721,331	443,407
Commitments and contingencies (Note 6)		
Net assets		
Unrestricted	11,171,184	9,190,074
Temporarily restricted	1,848,909	1,931,743
Total net assets	13,020,093	11,121,817
Total liabilities and net assets	**$ 13,741,424**	**$ 11,565,224**

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

KIVA MICROFUNDS
(A NONPROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Online donations	$ 5,890,944	$ -	$ 5,890,944	$ 4,850,507	$ -	$ 4,850,507
Auto-converted Kiva Cards	1,285,879	-	1,285,879	525,600	-	525,600
Foundations	101,369	2,029,384	2,130,753	1,170,880	794,988	1,965,868
Corporate contributions	587,969	726,268	1,314,237	1,385,409	2,000,532	3,385,941
Individual contributions	1,073,761	80,000	1,153,761	474,770	10,000	484,770
Interest income	95,691	-	95,691	118,836	-	118,836
Investment gains, net	464	-	464	1,375	-	1,375
Other income	3,435	-	3,435	73,937	-	73,937
Net assets released from restrictions	2,918,486	(2,918,486)	-	1,653,862	(1,653,862)	-
Total revenue and support	11,957,998	(82,834)	11,875,164	10,255,176	1,151,658	11,406,834
In-kind donations						
Technology	183,855	-	183,855	109,839	-	109,839
Services	1,522,590	-	1,522,590	2,188,283	-	2,188,283
Use of facilities	1,020	-	1,020	1,495	-	1,495
Total in-kind donations	1,707,465	-	1,707,465	2,299,617	-	2,299,617
Total revenue and support including in-kind donations	13,665,463	(82,834)	13,582,629	12,554,793	1,151,658	13,706,451
Functional expenses						
Program services	9,767,837	-	9,767,837	6,823,657	-	6,823,657
Management and general	1,402,686	-	1,402,686	1,207,358	-	1,207,358
Fundraising	513,830	-	513,830	321,474	-	321,474
Total functional expenses	11,684,353	-	11,684,353	8,352,489	-	8,352,489
Change in net assets	1,981,110	(82,834)	1,898,276	4,202,304	1,151,658	5,353,962
Net assets, beginning of year	9,190,074	1,931,743	11,121,817	4,987,770	780,085	5,767,855
Net assets, end of year	**$ 11,171,184**	**$ 1,848,909**	**$ 13,020,093**	**$ 9,190,074**	**$ 1,931,743**	**$ 11,121,817**

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

KIVA MICROFUNDS
(A NONPROFIT ORGANIZATION)
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2011 and 2010

	2011				2010			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel expenses								
Salaries	$ 3,547,751	$ 486,745	$ 257,314	$ 4,291,810	$ 2,066,692	$ 387,356	$ 158,174	$ 2,612,222
Payroll taxes	405,218	56,104	31,238	492,560	225,294	41,915	17,367	284,576
Benefits	605,296	82,827	45,856	733,979	299,076	55,435	22,090	376,601
Total personnel expenses	4,558,265	625,676	334,408	5,518,349	2,591,062	484,706	197,631	3,273,399
Other functional expenses								
In-kind expenses	1,553,826	58,220	4,076	1,616,122	1,962,507	263,127	11,601	2,237,235
International personnel costs	22,097	-	-	22,097	-	-	-	-
Contractors	1,063,526	126,369	-	1,189,895	806,539	88,261	-	894,800
Professional fees	11,387	99,379	-	110,766	-	87,326	-	87,326
Occupancy	266,726	36,397	20,897	324,020	176,569	33,332	13,634	223,535
Information technology	154,339	34,753	8,744	197,836	76,459	22,722	5,897	105,078
Depreciation and amortization	906,196	123,834	74,868	1,104,898	569,451	103,774	45,594	718,819
MFI partnership program	276,617	-	-	276,617	235,038	-	-	235,038
Volunteer program	48,323	-	-	48,323	71,098	-	-	71,098
Marketing and communications	262,463	34,280	15,500	312,243	113,498	13,303	-	126,801
Promotional loan funding	325,000	-	-	325,000	-	-	-	-
Travel, conferences, and meetings	137,997	2,613	39,485	180,095	75,408	3,329	10,749	89,486
Organization costs	54,830	45,121	1,727	101,678	51,592	13,408	1,124	66,124
Office expense	74,095	31,757	4,721	110,573	33,955	18,151	4,575	56,681
Office move	-	75,992	-	75,992	-	-	-	-
Phones and internet	35,149	4,737	2,670	42,556	40,529	7,481	3,073	51,083
Staff development	16,643	103,558	710	120,911	12,266	67,989	252	80,507
External events	358	-	6,024	6,382	5,145	-	27,115	32,260
Indemnification	-	-	-	-	2,541	449	229	3,219
Total other functional expenses	5,209,572	777,010	179,422	6,166,004	4,232,595	722,652	123,843	5,079,090
Total functional expenses	**$ 9,767,837**	**$ 1,402,686**	**$ 513,830**	**$ 11,684,353**	**$ 6,823,657**	**$ 1,207,358**	**$ 321,474**	**$ 8,352,489**

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

KIVA MICROFUNDS
(A NONPROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 1,898,276	$ 5,353,962
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,104,898	718,819
In-kind donation of fixed assets	(132,679)	-
In-kind donation of supplies	42,184	(62,382)
Unrealized/realized gains on investments	(464)	(1,375)
Changes in operating assets and liabilities:		
Cash designated for temporarily restricted net assets	424,679	(459,388)
Restricted cash	(147,160)	-
Accounts receivables	553	14,237
Unapplied funds	(114,525)	(3,270)
Pledges receivable, net discounts	(349,095)	(681,750)
Due from Kiva User Funds Account	523,307	230,226
Prepaid expenses	(82,671)	(59,522)
Other assets	(47,231)	-
Accounts payable	53,117	77,311
Accrued expenses	162,673	(57,872)
Other liabilities	10,329	7,810
Deferred rent	51,805	(11,420)
Net cash provided by operating activities	3,397,996	5,065,386
Cash flows from investing activities		
Purchase of property and equipment	(323,333)	(71,306)
Capitalization of website and internet platform software development costs	(2,037,985)	(1,069,132)
Proceeds from sales of investment	7,714	-
Net cash used in investing activities	(2,353,604)	(1,140,438)
Net increase in cash and cash equivalents	1,044,392	3,924,948
Cash and cash equivalents, beginning of year	7,283,345	3,358,397
Cash and cash equivalents, end of year	**$ 8,327,737**	**$ 7,283,345**
Supplemental cash flows information:		
In-kind donation of fixed assets	$ 132,679	$ -
In-kind donation of supplies	$ (42,184)	$ 62,382

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Kiva Microfunds ("Kiva") is a nonprofit, tax-exempt organization founded in 2005 to connect people through lending for the sake of alleviating poverty. Kiva empowers individuals to lend to low-income borrowers around the world. Kiva partners with over 138 global Microfinance Institutions ("MFIs") in more than fifty-seven (57) countries. MFIs 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 MFI, who uses the funds to replenish the loan that has been pre-disbursed to the borrower, and administers the loan. To date, Kiva has facilitated over US $273 million in loans from lenders through the website.

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

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

Kiva is supported primarily through individual and corporate contributions and grants from foundations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The 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

The accompanying 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (continued)

Permanently Restricted Net Assets - result from contributions and other inflows of assets whose use by Kiva is permanently restricted by the donor. At December 31, 2011 and 2010, Kiva had no permanently restricted net assets.

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.

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.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. 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 to be cash equivalents.

Restricted Cash
Cash restricted is segregated funds 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 November 2011.

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

Accounting for Ownership Interest in KUF
Though Kiva is the sole member of KUF, a California Limited Liability Company (“LLC”), KIVA has not consolidated KUF’s assets, liabilities or results of operations in these financial statements. KIVA does not retain the rights, obligations or benefits typically afforded to a sole member of a LLC and, therefore, has elected to account for its investment in KUF on the equity basis. As of December 31, 2011, KUF’s equity balance is zero, and therefore there is no investment in KUF reflected within the 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 sheet consisted of the following at December 31, 2011:

Cash	$ 39,302,210
Accounts receivable	113,279
Loans receivable	232,288,446
Other assets	59,911
Total Assets	**$ 271,763,846**
Accounts payable	$ 126,460
Due to Kiva Microfunds	260,405
Loans payable	197,938,999
Unsettled loan transactions	41,406,374
Funds held on behalf of lenders	27,948,855
Unredeemed Gift Cards	4,082,753
Total Liabilities	**$ 271,763,846**

Revenue 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.

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. Revenue is also earned through contributions and grants from foundations, corporations, and individual donors.

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. 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 10-year Treasury bond rate (approximate rates used are 2.0% and 3.4% as of December 31, 2011 and 2010, respectively) to record the discount.

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 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 financial statements.

Property and Equipment
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 taxes, workers compensation, and benefit allocations associated with the development of the software are capitalized and amortized over three years. The allocation of personnel costs is based on development time spent and is examined 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and fundraising expenses have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services provided. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Kiva.

Major Grantor
During 2011, Kiva had grants from one significant grantor that represented 14% of total revenue and support. Kiva had outstanding grant receivables from the same grantor representing 74% of pledges and grants receivable as of December 31, 2011.

During 2010, Kiva had grants from one significant grantor that represented 12% of total revenue and support. Kiva had outstanding grant receivables from the same grantor representing 72% of pledges and grants receivable as of December 31, 2010.

Concentration of Credit Risk
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, and pledges, grants, and accounts receivable.

Kiva maintains its cash balances with one high-credit, quality financial institution. Kiva believes its credit policies do not result in significant adverse risk, and historically has not experienced significant credit-related losses. In addition, effective December 31, 2010 through December 31, 2012, the Federal Deposit Insurance Corporation (“FDIC”) is providing unlimited insurance coverage on non-interest-bearing accounts.

Accounts receivable consist primarily of reimbursement of expenses from grantors. Pledges 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income 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 provisions for income taxes or related credits are included in these financial statements.

Effective January 1, 2009, Kiva adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Uncertainty in Income Taxes" ("ASC 740") (formerly FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109"). ASC 740 clarifies the uncertainty in income taxes recognized in the enterprise's financial statements. Kiva has determined that the adoption of ASC 740 did not result in the recognition of any liability for uncertain tax positions. Kiva's federal and state income tax returns remain subject to examination for all tax years ended on or after December 31, 2007 through 2011 respectively, with regard to all tax positions and results reported.

Fair Value of Financial Instruments
As defined in FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820") (formerly SFAS No. 157, "Fair Value Measurements"), fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, Kiva uses the market approach. Based on this approach, Kiva utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques Kiva is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

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. For the fiscal years ended December 31, 2011 and 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement

In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06, "Improving Disclosures about Fair Value Measurements," which is codified in Topic 820, "Fair Value Measurements and Disclosures." This guidance amends the disclosure requirements related to recurring and nonrecurring fair value measurements and requires new disclosures on significant transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a rollforward of activities on purchases, sales, issuance and settlements of the assets and liabilities measured using Level 3 measurement. The guidance was effective for the reporting period beginning July 1, 2010, except for the disclosure on the rollforward activities for Level 3 fair value measurements, which became effective for reporting periods beginning July 1, 2011. Kiva had no significant transfers of assets or liabilities between Level 1 and Level 2. The adoption of these rules did not have a material effect on Kiva's financial statements.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU No. 2011-04"), which amends ASC Topic 820, "Fair Value Measurement". ASU No. 2011-04 does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or International Financial Reporting Standards. ASU No. 2011-14 changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, ASU No. 2011-14 clarifies the FASB's intent about the application of existing fair value measurements. ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011, and is applied prospectively. Kiva will adopt this guidance at the beginning of our first quarter of 2012. Kiva does not expect the adoption of ASU No. 2011-04 will have a material impact on its financial position, results of operations, or cash flows.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on net assets or changes in net assets.

NOTE 3 – PLEDGES AND GRANTS RECEIVABLE

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

	2011	2010
In less than one year	$ 1,226,871	$ 814,483
In one to five years	50,000	120,000
Less discounts	(4,756)	(11,463)
Total pledges and grants receivable – noncurrent portion, net of discounts	45,244	108,537
Total pledges and grants receivable, net of discounts	**$ 1,272,115**	**$ 923,020**

NOTE 4 – INVESTMENTS

At December 31, 2010, Kiva's investments consisted of one publicly traded equity security stated at fair market value which was sold during 2011. This investment was classified as Level 1. At December 31, 2011 and 2010, investments totaled $0 and $7,250, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

	2011	2010
Leasehold improvements	$ 156,972	$ 43,442
Furniture and fixtures	124,380	7,177
Computer equipment	566,337	341,061
Web site and internet platform software development costs	4,652,210	2,614,222
	5,499,899	3,005,902
Less accumulated depreciation	(2,831,416)	(1,726,518)
Total	**$ 2,668,483**	**$ 1,279,384**

Depreciation expense for the years ended December 31, 2011 and 2010 were $1,104,898 and $718,819, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease Agreements
Kiva leased office space under an operating lease agreement that expired in August 2011 and was not renewed because Kiva moved to a new location. The agreement called for below market rent for the first four months of the lease and minimum monthly lease payments of $14,421, with annual increases beginning September 2008. Kiva recorded rent expense on a straight-line basis, and recognized a deferred rent liability of $11,659 at December 31, 2010.

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 October 2012, and increasing annually thereafter. Kiva is recording rent expense on a straight-line basis, and has recorded a deferred rent liability of $63,464 as of December 31, 2011.

Lease Agreements (continued)
Future minimum lease payments under this noncancelable facility lease are as follows:

For the Years Ending December 31,	
2012	$ 346,460
2013	539,568
2014	556,607
2015	573,646
2016	587,846
Thereafter	97,974
Total	**$ 2,702,101**

Rent expense, which includes Kiva's portion of common area expenses, amounted to $300,278 and $210,866 for the years ended December 31, 2011 and 2010, respectively.

Groupon Agreement
In late 2010, Kiva entered into a promotional campaign with Groupon to attract new users. In this campaign, discounted promotional vouchers were issued. A user could purchase a voucher, with a face value of $25, for $15. In November 2010, 9,964 vouchers were sold, and Groupon participated by contributing $10 to each user's account to complete the $25 loan credit value. These vouchers have no restrictions other than they expired in May 2011, at which time the full $25 credit value auto-converted to a Kiva donation.

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Groupon Agreement (continued)
In December 2010, an additional 11,269 of Groupon promotional vouchers were sold. For these vouchers, Kiva agreed to fund the $10 credit for each voucher that was redeemed by the user in order to make a $25 loan. This $10 credit will revert to Kiva upon repayment of the respective loan made by the user. These purchased but unredeemed vouchers have no other restrictions other than they too expired in May 2011, at which time the $15 dollar purchased value auto-converted to a Kiva donation.

There were 4,649 and 2,855 promotional vouchers redeemed in 2011 and 2010, respectively. At December 31, 2011 and 2010, there was a promotional receivable due Kiva in the amount of $21,438 and $28,550, respectively, and is included in Due from Kiva User Funds Account on the accompanying statements of financial position. These amounts due relate to the promotional credit portion (funded by Kiva) which are a component of the respective users' outstanding loan balances.

Also at December 31, 2010, there remained 8,414 unredeemed vouchers which amounted to an additional $84,410 of promotional credits to be issued to these users. All vouchers were either redeemed or expired during 2011.

Litigation
In the normal course of business, Kiva has not become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of Kiva as of December 31, 2011, and through April 30, 2012.

NOTE 7 – 401(K) 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, 2011 and 2010, matching and discretionary contributions of $146,758 and $91,001, respectively, were made to the Plan.

NOTE 8 – 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 to these accounts. Interest income, and donations from auto-converted Kiva Cards and online donations disbursed from these bank accounts for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Interest income	$ 74,222	$ 98,192
Auto-Converted Kiva Cards	$ 1,285,879	$ 525,600
Online donations	$ 5,890,944	$ 4,850,507

In the event an administrative processing/recording issue results in a difference between such user-account records and the FBO account balances, Kiva may be expected to cover any such resulting variance for the FBO accounts. For the years ended December 31, 2011 and 2010, Kiva indemnified, in the approximate amount of $0 and $3,000 respectively, the KUF bank accounts for a set of repayments that were credited to various users, for which certain MFI's ultimately failed to make the contractually required corresponding repayments.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	December 31, 2010	Additions	Released from Restrictions	December 31, 2011
Organizational capacity	$ 420,413	$ -	$ (420,413)	$ -
Geographical	474,136	713,000	(652,631)	534,505
Product innovation	181,169	150,000	(138,881)	192,288
Time restricted	856,025	1,972,652	(1,706,561)	1,122,116
	$ 1,931,743	**$ 2,835,652**	**$(2,918,486)**	**$ 1,848,909**

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

	December 31, 2009	Additions	Released from Restrictions	December 31, 2010
Organizational capacity	$ 207,835	$ 750,000	$ (537,422)	$ 420,413
Geographical	449,765	875,000	(850,629)	474,136
Product innovation	72,485	324,495	(215,811)	181,169
Time restricted	50,000	856,025	(50,000)	856,025
	$ 780,085	**$ 2,805,520**	**$(1,653,862)**	**$ 1,931,743**

NOTE 10 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011 and 2010, certain members of the Organization's Board of Directors and Advisory Board and/or their companies, made pledges to the Organization to help fund its mission. This contribution revenue totaled $1,929,383 and $1,697,488 for the years ended December 31, 2011 and 2010, respectively. Pledges receivable due from these parties as of December 31, 2011 and 2010 totaled $941,871 and $672,488, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Kiva has evaluated subsequent events through April 30, 2012, the date the financial statements were issued.