KPMG

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
VisionFund International and Subsidiaries:

We have audited the accompanying consolidated financial statements of VisionFund International and its subsidiaries (a wholly controlled subsidiary of World Vision International), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of VisionFund International and its subsidiaries as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

April 29, 2021

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

September 30, 2020 and 2019

(In thousands)

Assets		2020	2019
Cash and cash equivalents	$	79,285	44,669
Investments (notes 3 and 4)		21,643	15,008
Interest receivable		11,553	8,057
Accounts receivable		6,743	6,827
Loans to affiliated microfinance institutions, net of allowance for loan losses of $486 as of September 30, 2020 and 2019, respectively (note 5)		15,963	16,629
Loans to microfinance institution clients, net of allowance for loan losses of $26,114 and $12,067 as of September 30, 2020 and 2019, respectively (note 5)		270,800	288,143
Restricted investments (notes 3, 4, 12, and 13)		4,790	2,499
Property, plant, and equipment, net (note 6)		11,079	10,563
Other assets		11,191	12,143
Total assets	$	433,047	404,538
Liabilities			
Accounts payable and accrued expenses	$	17,716	6,872
Interest payable		2,193	2,000
Deposits from microfinance institution clients		29,511	28,020
Notes payable (note 7)		200,224	171,647
Other liabilities		6,238	7,107
Total liabilities		255,882	215,646
Net Assets			
Net assets without donor restrictions – controlling interest (note 8)		165,602	177,336
Net assets without donor restrictions – noncontrolling interest (note 8)		5,061	5,576
Total net assets without donor restrictions		170,663	182,912
Net assets with donor restrictions		6,502	5,980
Total net assets		177,165	188,892
Total liabilities and net assets	$	433,047	404,538

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Net assets without donor restrictions:			
Operating revenue:			
Interest, fees, and commission revenue	$	107,182	116,891
Interest, fees, and commission expense (note 9)		(21,612)	(21,008)
Net financial income		85,570	95,883
Provision for loan losses (notes 5 and 9)		(20,614)	(13,275)
Funds recovered from loans written off (note 5)		1,800	2,069
Net financial income after provision for loan losses		66,756	84,677
Other operating income		2,476	1,946
Total revenue from operations		69,232	86,623
Operating expense (note 9):			
Salaries and benefits		54,748	55,062
Supplies, copying, and printing		1,911	1,889
Professional fees		5,714	4,610
Communication expense		2,117	2,298
Occupancy expense		5,087	5,962
Travel and transportation		4,510	7,012
Depreciation		4,103	3,392
Training and technical assistance		698	1,025
Other operating expenses		8,044	7,204
Total operating expenses		86,932	88,454
Operating loss before taxes and other nonoperating changes in net assets without donor restrictions		(17,700)	(1,831)
Tax expense (note 9)		2,956	2,400
Net operating loss		(20,656)	(4,231)
Other nonoperating changes in net assets without donor restrictions:			
Unrestricted contributions (note 10)		7,936	12,067
Amounts granted to affiliated microfinance institutions (note 9)		(1,895)	(1,747)
Foreign currency transaction losses (note 2)		(5,262)	(4,402)
Foreign currency translation gains (losses) (note 2)		1,488	(2,531)
Net assets released from restriction (note 8)		7,184	2,620
Other nonoperating loss		(1,044)	(737)
Net change in net assets without donor restrictions		(12,249)	1,039
Net assets with donor restrictions:			
Restricted contributions (note 10)		7,706	3,252
Net assets released from restriction (note 8)		(7,184)	(2,620)
Net change in net assets with donor restrictions		522	632
Change in net assets		(11,727)	1,671
Net assets, beginning of year		188,892	187,221
Net assets, end of year	$	177,165	188,892

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	(11,727)	1,671
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		4,103	3,392
Provision for loan losses		20,614	13,275
Foreign currency revaluation		(2,917)	4,849
Loss on forward contracts		1,974	857
Loss on disposal of equipment		487	283
Change in assets and liabilities:			
Interest receivable		(3,496)	(822)
Accounts receivable		84	(799)
Other assets		952	264
Accounts payable and accrued expenses		10,844	(1,733)
Interest payable		193	(505)
Other liabilities		(2,844)	631
Net cash provided by operating activities		18,267	21,363
Cash flows from investing activities:			
Purchase of equipment		(4,581)	(4,173)
Distribution of loans		(430,774)	(515,656)
Proceeds from loan portfolio repayment		434,678	474,424
Purchases of investments		(27,352)	(25,683)
Proceeds from sales of investments		18,127	37,553
Net cash used in investing activities		(9,902)	(33,535)
Cash flows from financing activities:			
Proceeds from notes payable		88,050	50,018
Payments on notes payable		(63,290)	(94,670)
Deposits from microfinance institution clients		1,491	6,303
Net cash provided by (used in) financing activities		26,251	(38,349)
Net increase (decrease) in cash and cash equivalents		34,616	(50,521)
Cash and cash equivalents, beginning of year		44,669	95,190
Cash and cash equivalents, end of year	$	79,285	44,669
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	21,419	21,513
Cash paid during the year for taxes		1,714	2,327

See accompanying notes to consolidated financial statements.

(1) Organization and Principal Activities

VisionFund International (VFI) and its consolidated subsidiaries (collectively, the Organization) is a wholly controlled subsidiary of World Vision International (World Vision), a corporation that is organized exclusively for purposes that are both religious and charitable, namely to witness to Jesus Christ by life, deed, word, and sign by rendering holistic Christian service throughout the world among the poor without regard to race, color, creed, or sex.

To deliver sustainable development, World Vision began the microenterprise development loan program through local microfinance institutions (MFIs). World Vision established VFI for the purpose of providing central governance, financial, and technical support for all affiliated MFIs. These MFIs serve micro entrepreneurs, smallholder farmers, and small businesses in disadvantaged and typically rural markets through the provision of basic financial services, such as credit, savings, and insurance, predominantly to women.

The majority of World Vision's affiliated MFIs are directly owned and controlled by VFI. These consolidated financial statements include the following entities:

Name	Country
SEF International Universal Credit Organization LLC (SEF)	Armenia
VisionFund DRC, S.A. (VF DRC)	Democratic Republic of the Congo
VisionFund Republica Dominicana SAS (VFRD)	Dominican Republic
Banco VisionFund Ecuador S.A. (VF Ecuador)	Ecuador
VFC Foundation (VF Credo)	Georgia
VisionFund Caucasus LLC (VF Caucasus)	Georgia
VisionFund Ghana Money Lending Limited (VF Ghana)	Ghana
VisionFund Guatemala, S.A. (VF Guatemala)	Guatemala
FUNED VisionFund OPDF (FUNED)	Honduras
VisionFund Kenya Ltd. (VF Kenya)	Kenya
VisionFund Limited (VF Malawi)	Malawi
VisionFund Mexico S.A. de C.V., SOFOM, E.N.R. (VF Mexico)	Mexico
VisionFund NBFI LLC (VF Mongolia)	Mongolia
VisionFund AgroInvest LLC (AI Holding)	Montenegro
MFI Monte Credit LLC (VF Montenegro)	Montenegro
VisionFund Myanmar Company Limited (VF Myanmar)	Myanmar
EDPYME Credivision S.A. Credivision	Peru
VisionFund Rwanda (VFR) PLC (VF Rwanda)	Rwanda
VisionFund Senegal Microfinance SA (VF Senegal)	Senegal
AgroInvest Fond LLC (VF Serbia)	Serbia
AgroInvest Foundation Serbia (NGO Serbia)	Serbia

Name	Country
VisionFund Holdings (Private) Limited (VFL Holding)	Sri Lanka
VisionFund Lanka Limited (VF Lanka)	Sri Lanka
VisionFund Tanzania MFC (VF Tanzania)	Tanzania
VisionFund Uganda Ltd. (VF Uganda)	Uganda
VisionFund Zambia Ltd. (VF Zambia)	Zambia

The primary activity of the subsidiaries is to provide commercially oriented microfinance services aiming to alleviate poverty and stimulate the creation of employment opportunities and economic growth for the poor and their surrounding communities, particularly in areas of World Vision ministry.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements of the Organization include the accounts of VFI and its subsidiaries, which are controlled and majority owned by VFI. All significant intercompany accounts and transactions have been eliminated.

(b) Basis of Presentation

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting. Net assets of the Organization are reported within the following categories:

Net Assets without Donor Restrictions, Controlling Interest – Net assets without donor restrictions, controlling interest represent those resources of the Organization that are not subject to donor-imposed restrictions. The only limits on net assets without donor restrictions are broad limits that are consistent with the nature of the Organization and the purposes specified in its articles of incorporation or bylaws.

Net Assets without Donor Restrictions, Non-controlling Interest – Net assets without donor restrictions, noncontrolling interest represent the portion of the Organization’s resources attributable to noncontrolling shareholders of consolidated subsidiaries. The value of the noncontrolling interest is based on the ownership percentage of the noncontrolling shareholders in the respective subsidiaries.

Net Assets with Donor Restrictions – Net assets with donor restrictions represent contributions and other inflows of assets which are subject to donor-imposed restrictions that can be fulfilled by actions of the Organization or by the passage of time. As of September 30, 2020 and 2019, restrictions relate to project use restrictions on contributions received.

Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets. A restriction expires when the stipulated time period has elapsed, when the purpose for which the resource was restricted has been fulfilled, or both.

(c) Revenue Recognition and Net Asset Contributions

Revenue is recognized when it is realized or realizable, and earned. This concept is applied to the key revenue generating activities of the Organization as follows:

Interest, Fees, and Commissions – Interest from interest-bearing assets is recognized on the accrual basis over the life of the asset based on an effective-interest rate. Fees and commissions are recognized as income using the effective-interest method.

Contributions – Contributions and unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized as contributions and receivables when the conditions are substantially met. Unrestricted contributions from affiliated support entities and nonaffiliated aid agencies are for the purpose of funding microfinance work in various affiliated MFIs, as well as increasing the pool of funds made available to the poor in the Organization’s area of operations.

Contributed Net Assets – Contributed net assets result from contributions or transfers of ownership of World Vision affiliated MFIs to the Organization. The net asset contribution is recorded at carrying value on the date of acquisition or transfer. The Organization reflects the net carrying value of these contributed MFIs as nonoperating increases to net assets in the accompanying consolidated statements of activities. There were no contributed net assets during the years ended September 30, 2020 and 2019.

(d) Amounts Granted to Affiliated MFIs

The Organization contributes funds to affiliated MFIs for the purpose of funding lending activities, operations, and acquisition of capital assets by the MFIs. These expenses are recognized when promised.

(In thousands)

(e) Geographic Area of Operations

VFI's mission of providing financial services to the poor involves the Organization operating in various foreign geographic regions. Included in the accompanying consolidated statements of financial position are the net assets of each entity, which are located in the following countries with the following net asset balances as of September 30, 2020 and 2019:

Country		2020	2019
United States	$	85,502	86,982
Myanmar		20,578	18,417
Ecuador		17,501	16,782
Tanzania		10,716	11,167
Serbia and Montenegro		6,532	7,139
Armenia		5,098	4,386
Senegal		4,216	4,021
Mexico		3,769	3,804
Mongolia		3,242	3,111
Kenya		2,767	2,340
Georgia		2,289	2,289
Zambia		2,175	1,346
Uganda		2,150	3,262
Democratic Republic of the Congo		2,042	4,308
Ghana		1,954	1,758
Dominican Republic		1,923	2,802
Malawi		1,872	2,158
Peru		1,591	1,404
Sri Lanka		664	2,120
Rwanda		617	763
Guatemala		608	2,377
Honduras		(641)	6,156
	$	177,165	188,892

Legal, regulatory, tax, foreign currency, or other limitations may exist in many of these countries. The ability to liquidate, realize, or transfer net assets from one country to another or to the parent company is typically limited.

VFI employs staff in various international locations, including several staff based in a branch office located and registered in the United Kingdom.

(f) Tax Status

VFI is organized as a nonprofit organization under the laws of the State of California and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. However, VFI remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements as a whole.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*, and establishes for all entities, including pass-through entities, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction) and requires certain expanded tax disclosures. No such uncertain tax positions exist for the Organization at September 30, 2020 and 2019.

The consolidated subsidiaries are subject to their respective local tax laws. Taxes recorded in the accompanying consolidated financial statements consist entirely of non-U.S. taxes related to the operations of the foreign subsidiaries.

(g) Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less at date of purchase to be cash and cash equivalents. This includes cash and cash equivalents which are subject to restrictions.

As of September 30, 2020 and 2019, there were no restricted cash and cash equivalents.

(h) Investments

Investments are recorded at fair value. Gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions.

(i) Loan Portfolio

The loan portfolio balances consist of loans made by the Organization to affiliated independent MFIs, as well as loans made by the Organization to the entrepreneurial poor through subsidiaries in their respective areas of operation.

For loans to affiliated MFIs, management evaluates the adequacy of the allowance for loan loss on a periodic basis and determines the amount, if any, of the provision for loan losses to be recorded. The evaluation of the adequacy of the allowance includes a review of the respective MFI’s delinquency rates, historic write-offs, liquidity, and financial and operational strength.

(Continued)

For loans to MFI clients, the management of the respective MFI determines the adequacy of the allowance for loan losses each month. The adequacy is determined by evaluating the aged outstanding balances of loans receivable and recording a provision for loan loss as necessary. The provisions are based on the MFI's past experience and historical performance of the portfolio. Loans deemed uncollectible (write-offs) are removed from the outstanding loan portfolio and deducted from the allowance. The ultimate recovery of all loans is susceptible to future market factors often beyond the Organization's control. These factors may result in losses or recoveries differing significantly from those provided in the accompanying consolidated financial statements.

The Organization evaluates the credit quality of its loan portfolio based on qualitative and environmental factors as well as on the aging of loans. Loans over 30 days past due are considered to be nonperforming. Loans aged over 91 days are considered to be impaired and are placed on nonaccrual status. Loans on nonaccrual status are not restored to accrual status unless they become current and full payment is expected. The Organization evaluates its loans receivable collectively for impairment.

(j) Property, Plant, and Equipment, Net

Property, plant, and equipment are recorded at historical cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of the assets. Equipment is depreciated over 3 to 10 years for motor vehicles, 3 to 5 years for computers and communications equipment, and 3 to 10 years for furniture and equipment. Repair and maintenance costs of property, plant, and equipment are capitalized if they result in substantial improvement in value or extend the useful life of the asset. Other repair and maintenance costs are charged as expenses as incurred.

(k) Foreign Currency Adjustments

(i) Foreign Currency Translations

The assets and liabilities of the subsidiaries are generally denominated in each country's local currency and translated into U.S. dollars at period-end exchange rates, where applicable. The accompanying consolidated statements of activities and cash flows are translated using average exchange rates during the respective periods. The resulting translation adjustments are recorded as nonoperating changes in unrestricted net assets in the accompanying consolidated statements of activities. As of September 30, 2020 and 2019, the net assets of subsidiaries denominated in local currency and subject to translation adjustments totaled $77,706 and $85,128, respectively. For the years ended September 30, 2020 and 2019, due to the general fluctuation in the exchange rate of the U.S. dollar against the local currencies of the subsidiaries, foreign currency translation gains (losses) totaled $1,488 and ($2,531), respectively.

(ii) Foreign Currency Transactions

Foreign currency transaction gains or losses result from transactions in foreign currencies. Fluctuations in the exchange rate between the foreign currency and the local currency result in foreign currency transaction gains or losses. For the years ended September 30, 2020 and 2019, foreign currency transaction losses totaled $5,262 and $4,402, respectively.

(In thousands)

(l) Foreign Exchange Currency Contracts

The Organization has a number of loans denominated in foreign currency. In order to protect against fluctuations in such currencies, the Organization has entered into certain foreign currency forward contracts, which provide for the future exchange of funds at agreed-upon rates. Unrealized gains or losses on forward currency derivatives recorded at fair value are based on current market exchange rates for foreign currencies.

At September 30, 2020 and 2019, the Organization had in place foreign currency contracts with a notional value totaling $90,801 and $107,731, respectively. As of September 30, 2020 and 2019, the Organization recorded the fair value of liabilities and assets of $893 and $1,282, respectively, as part of other assets. The resulting losses and gains are recorded as foreign currency transaction losses in the accompanying consolidated statements of activities as described in note 2(k)(ii).

(m) Deferred Income

Deferred income, included in other liabilities in the consolidated statements of financial position, represents loan origination and commission fees received in advance of amounts earned and recognized.

(n) Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates relate primarily to the determination of the allowance for loan losses.

(o) Risks and Uncertainties Related to Investments

Investment securities are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with investment securities, it is possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported.

(3) Investments

Investments consist primarily of time deposits held at foreign banks for short-term lending and funding needs. As of September 30, 2020 and 2019, the fair value of investments is as follows:

Foreign bank time deposits		2020	2019
Unrestricted	$	21,643	15,008
Restricted (notes 4, 12, and 13)		4,790	2,499
Total investments	$	26,433	17,507

(In thousands)

(4) Fair Value Measurements

ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following table presents the placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis:

		2020	2019
Significant other observables inputs (Level 2):			
Assets:			
Foreign bank time deposits:			
Ecuador	$	5,135	1,348
Serbia		5,128	2,499
Sri Lanka		3,799	7,698
Honduras		2,726	503
Armenia		2,431	736
Guatemala		1,753	—
Kenya		1,457	1,761
Ghana		1,114	744
Tanzania		1,081	875
Zambia		850	305
Dominican Republic		528	—
Uganda		269	816
DR Congo		149	—
Peru		11	—
Rwanda		2	222
Total investments	$	26,433	17,507
Foreign exchange currency contracts	$	(893)	1,282

(In thousands)

For the valuation of foreign currency time deposits and foreign bank time deposits, the Organization used significant other observable inputs, particularly pricing for similar investments with the same maturities (Level 2).

The fair value of assets related to foreign exchange currency contracts is determined through the use of models or other valuation methodologies (including observation of prevailing market exchange rates for foreign currencies). Accordingly, these contracts are classified within Level 2 and presented within other assets on the consolidated statement of financial position.

(5) Loan Portfolio

(a) Loans to Affiliated Microfinance Institutions (MFIs)

Amounts in loans to affiliated MFIs represent funds lent by the Organization to affiliated, independent (unconsolidated) MFIs for further lending to microentrepreneurs. As of September 30, 2020 and 2019, these loans totaled $16,449 and $17,115, respectively. Interest rates for loans to MFIs by the Organization range from 0% to 14%, depending on the current interest rates in the U.S., the currency of the loan, and any donor–related commitments. As of September 30, 2020, these loans are scheduled for repayment as follows:

		Principal repayment schedule
Fiscal year:		
2021	$	15,784
2022		553
2023		112
		16,449
Less allowance for loan losses		(486)
Loans to affiliated MFIs, net	$	15,963

Changes in the allowance for loan losses for the years ended September 30, 2020 and 2019 are as follows:

Allowance for loan losses		2020	2019
Beginning of year	$	486	6,617
Loans written off		—	(7,479)
Provision for loan losses		—	1,348
End of year	$	486	486

(In thousands)

As of September 30, 2019, the Organization had write-offs totaling $7,479 related to a loan outstanding with Micro Credit Organization ‘EKI’ Sarajevo (Bosnia). Formal written notification was provided to EKI indicating default of their obligations under the loan agreement. EKI’s external auditors were also notified. WVI chose to deconsolidate EKI in FY 2018 due to the inability to influence or control the mission and operations of the entity despite extensive effort and discussions to retain such powers. No payment has been received to date and the Organization continues to actively pursue collection of this loan in full through various legal and regulatory channels.

Loans to affiliated MFIs were concentrated in the following regions as of September 30, 2020 and 2019:

Region of operations		2020	2019
Africa	$	8,619	10,252
Middle East/Eastern Europe		3,619	2,711
Asia/Pacific		3,082	3,023
Latin America/Caribbean		1,129	1,129
	$	16,449	17,115

The Organization evaluates its loans receivable using conforming or nonconforming as the primary credit quality indicator. Nonconforming refers to those loans that are internally classified by the Organization as substandard. These assets pose higher risk and elevated probability of default. Conforming refers to all loans not considered nonconforming. The Organization evaluates various criteria for determining whether a loan is conforming or nonconforming on an annual basis. The table below presents credit quality indicators related to the Organization’s loans to affiliated MFIs at September 30, 2020 and 2019:

		2020	2019
Risk ratings:			
Conforming	$	16,449	17,115
Nonconforming		—	—
Total	$	16,449	17,115

(In thousands)

(b) Loans to Microfinance Institution Clients

Amounts in loans to MFI clients represent funds lent to the entrepreneurial poor in the subsidiaries' respective areas of operation. For the years ended September 30, 2020 and 2019, the Organization's loans to MFI clients totaled $296,914 and $300,210, respectively. The allowance for loan loss as of September 30, 2020 and 2019 was $26,114 and $12,067, respectively. These loans consist of funds lent to entrepreneurial individuals, solidarity groups, and community banks for the purpose of furthering economic development in the communities served. The average loan amount varies by country from one hundred and thirty dollars to two thousand five hundred dollars. These loans have terms commonly ranging from one to sixty months, their weighted average maturities being approximately eighteen months. Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. For the years ended September 30, 2020 and 2019, the weighted average annual interest rates charged were 32% for each year.

Loans to MFI clients were concentrated in the following regions as of September 30, 2020 and 2019:

Region of operations		2020	2019
Latin America/Caribbean	$	132,980	143,983
Asia/Pacific		84,734	66,493
Africa		46,591	54,150
Middle East/Eastern Europe		32,609	35,584
	$	296,914	300,210

An aging analysis of loans to MFI clients as of September 30, 2020 is as follows:

		Outstanding balance	Allowance for loan losses
Current or less than 30 days past due	$	269,072	7,363
31–60 days past due		5,575	1,487
61–90 days past due		3,216	909
91 days or more past due		19,051	16,355
	$	296,914	26,114

(In thousands)

An aging analysis of loans to MFI clients as of September 30, 2019 is as follows:

		Outstanding balance	Allowance for loan losses
Current or less than 30 days past due	$	289,301	4,681
31–60 days past due		1,617	439
61–90 days past due		1,142	349
91 days or more past due		8,150	6,598
	$	300,210	12,067

As of September 30, 2020 and 2019, loans 91 days or more past due totaling $19,051 and $8,150, respectively, were not accruing interest.

Loans are written off when they are deemed to be uncollectible. Generally, the Organization considers loans 180 days or more past due to be uncollectible. Operational collection efforts continue past the point of write-off. Any funds recovered from loans written off are recorded as revenue in the consolidated statements of activities. For the years ended September 30, 2020 and 2019, funds recovered from loans written off totaled $1,800 and $2,069, respectively.

Changes in the allowance for loan losses for the years ended September 30, 2020 and 2019 are as follows:

Allowance for loan losses		2020	2019
Beginning of year	$	12,067	9,220
Loans written off		(6,074)	(9,301)
Provision for loan losses		20,614	11,927
Currency revaluation		(493)	221
End of year	$	26,114	12,067

(In thousands)

(6) Property, Plant, and Equipment

Property, plant, and equipment are located primarily at the sites of operations of the subsidiaries and consist of the following at September 30, 2020 and 2019:

		2020	2019
Land and buildings	$	4,068	2,111
Equipment		6,248	5,907
Vehicles		4,298	4,703
Computers and software		13,293	12,546
		27,907	25,267
Less accumulated depreciation		(16,828)	(14,704)
Total	$	11,079	10,563

(7) Notes Payable

Notes payable represent funding from various foundations, individuals, affiliates, and banking organizations, which extended loans to the Organization to provide support for its activities. As of September 30, 2020 and 2019, notes payable were $200,224 and $171,647, respectively. Interest rates on notes payable vary by country and currency. The following are the interest rates on these loans as of September 30, 2020 and 2019:

September 30, 2020				September 30, 2019			
Number of loans		Total loan value	Interest rates	Number of loans		Total loan value	Interest rates
108	$	49,644	0% to 5%	102	$	12,480	0% to 5%
99		83,872	5.1% to 10%	87		94,558	5.1% to 10%
58		45,163	10.1% to 15%	74		57,632	10.1% to 15%
19		21,545	over 15%	12		6,977	over 15%
	$	200,224			$	171,647	

(In thousands)

The following loans outstanding as of September 30, 2020 are scheduled for repayment as follows:

		Principal payment schedule
Fiscal year:		
2021	$	89,810
2022		51,711
2023		33,388
2024		7,401
2025		15,491
2026 and beyond		2,423
	$	200,224

As of September 30, 2020, notes payable are unsecured with the exception of $13,842 in loans that have been collateralized by the assets of individual subsidiaries and VFI.

As of September 30, 2020 and 2019, VFI also had two available unused lines of credit totaling $20,000 in both years. One $10,000 line of credit is available for use in on-lending funds to affiliated MFIs, with a quarterly drawdown limit of $5,000. Another $10,000 line of credit is limited for use in responding to specific climate events or natural disasters in certain countries where the Organization works.

(8) Net Assets without Donor Restrictions

Changes in net assets without donor restrictions for the year ended September 30, 2020 are as follows:

		Total	Controlling interest	Noncontrolling interest
Balance, October 1, 2019	$	182,912	177,336	5,576
Transfers to noncontrolling interest		—	(180)	180
Deficiency of revenues over expenses		(19,433)	(18,738)	(695)
Net assets released from restriction		7,184	7,184	—
Movement in net assets		(12,249)	(11,734)	(515)
Balance, September 30, 2020	$	170,663	165,602	5,061

(In thousands)

Changes in net assets without donor restrictions for the year ended September 30, 2019 are as follows:

		Total	Controlling interest	Noncontrolling interest
Balance, October 1, 2018	$	181,873	176,205	5,668
Transfers to noncontrolling interest		—	(191)	191
Deficiency of revenues over expenses		(1,581)	(1,298)	(283)
Net assets released from restriction		2,620	2,620	—
Movement in net assets		1,039	1,131	(92)
Balance, September 30, 2019	$	182,912	177,336	5,576

As of September 30, 2020 and 2019, noncontrolling interest was $5,061 and $5,576. Noncontrolling interest is primarily concentrated in VF Tanzania (66% ownership by the Organization) and VF DRC (80% ownership by the Organization).

(9) Program and Supporting Expenses

To help users assess the Organization’s service efforts, operating expenses are reported into functional categories of program services and supporting services. Program services are expenses incurred in the course of the Organization’s primary activities of coordinating and funding MFIs and providing commercially oriented microfinance services to alleviate poverty. Allocation of expenses to program services or supporting services are determined by how directly the expense supports the operations of subsidiaries who deliver the services. All other expenses are designated as supporting services.

(In thousands)

For the year ended September 30, 2020, of the $134,009 in total expenses (excluding foreign currency adjustments), $120,589 was incurred in the course of program services and $13,420 was incurred in the course of supporting services by the Organization. For the year ended September 30, 2019, of the $126,884 in total expenses (excluding foreign currency adjustments), $114,696 was incurred in the course of program services and $12,188 was incurred in the course of supporting services by the Organization.

		2020			2019	
	Program	Supporting	Total	Program	Supporting	Total
Interest, fees, and commission expense	$ 21,612	—	21,612	21,008	—	21,008
Provision for loan losses	20,614	—	20,614	13,275	—	13,275
Tax expense	2,956	—	2,956	2,400	—	2,400
Amounts granted to affiliated microfinance institutions	1,895	—	1,895	1,747	—	1,747
Salaries and benefits	44,775	9,973	54,748	46,431	8,631	55,062
Supplies, copying, and printing	1,809	102	1,911	1,804	85	1,889
Professional fees	3,556	2,158	5,714	3,608	1,002	4,610
Communication expense	2,070	47	2,117	2,235	63	2,298
Occupancy expense	4,659	428	5,087	5,641	321	5,962
Travel and transportation	3,860	650	4,510	5,063	1,949	7,012
Depreciation	4,103	—	4,103	3,392	—	3,392
Training and technical assistance	663	35	698	982	43	1,025
Other operating expenses	8,017	27	8,044	7,110	94	7,204
Total	$ 120,589	13,420	134,009	114,696	12,188	126,884

(10) Contributions

Contributions for the years ended September 30, 2020 and 2019 totaled $15,642 and $15,319, respectively.

(In thousands)

Contributions, classified as nonoperating changes in net assets, were from the following:

		2020	2019
Unrestricted:			
World Vision United States	$	6,460	7,662
World Vision International		486	1,488
World Vision United Kingdom		398	68
World Vision Hong Kong		158	244
World Vision Singapore		111	—
World Vision Australia		74	1,334
World Vision Ghana		48	—
World Vision Kenya		18	—
World Vision Rwanda		4	13
World Vision New Zealand		—	328
World Vision Sri Lanka		—	70
World Vision Germany		—	30
World Vision Zambia		—	17
Nonaffiliated Agencies		179	813
Total unrestricted		7,936	12,067
Restricted:			
World Vision United States		4,966	—
World Vision Australia		250	—
World Vision Austria		146	—
World Vision Canada		75	333
World Vision New Zealand		37	—
Nonaffiliated Aid Agencies:			
Livelihoods and Food Security Trust Fund (LIFT)		1,199	2,831
Blue Orchard		554	—
Grameen		316	—
Others		163	88
Total restricted		7,706	3,252
Total contributions	$	15,642	15,319

(11) Related-Party Transactions

Many of the transactions of VFI are with related entities, as discussed elsewhere in these consolidated financial statements. Such transactions include contributions, loans with affiliates, investments in affiliates, loan guarantees, and pledges of investments.

As of September 30, 2020 and 2019, the Organization had accounts payable to World Vision totaling $290 and $595 respectively. These amounts were for operating expenses paid by World Vision on behalf of the Organization.

(12) Contingent Liabilities

The operations of VF Serbia include the servicing of loans to microfinance clients, which are issued by a third-party bank. While such loans were not originated by VF Serbia, these loans are guaranteed by VF Serbia and are secured by deposits held with the same bank. As of September 30, 2020, the value of the guaranteed loan portfolio totaled $4,790. These loans are not included on the consolidated statements of financial position. As of September 30, 2020 and 2019, the value of deposits held by VF Serbia as security for these loans totaled $4,790 and $2,499, respectively. These deposits are reported as restricted investments on the consolidated statements of financial position (note 3). Payment is required under the guarantee if a loan becomes over 210 days past due. As of September 30, 2020, 6.4% of the guaranteed loan portfolio was over 90 days past due. The average loan term of the guaranteed loans is 29 months.

Subsequent to September 30, 2020, and in response to a change in local banking legislation in early 2020, VF Serbia revised its servicing agreement with the third-party bank. Under the new agreement and for new loans, VF Serbia provides a security deposit with the bank for the full value of the loan portfolio originated by the bank.

(13) Liquidity and Availability

The Organization manages liquidity to fund operations, assets and obligation as necessary in the most cost effective way without unduly jeopardizing income potential or risking loss, and to establish a minimum level of liquidity for emergency funding of MFIs and operational needs. As a consolidated organization, liquidity is dispersed across 22 separate countries, where funds are managed and held for local use. Generally, management distinguishes the Organization’s liquidity and availability between VFI’s central liquidity and the subsidiary MFIs’ local liquidity. During the years ended September 30, 2020 and 2019, the level of liquidity was managed within the Organization’s policy requirements.

(a) VFI Liquidity and Availability

The principal use of funds for VFI are for net operating cash flows, loans to MFIs, investments in MFIs, payments on notes payable, and capital expenditures. Annually, each MFI submits business plans to plan for debt and equity needs, which are submitted to VFI and integrated with VFI’s funding needs. VFI maintains liquidity sufficient to cover approved and expected MFI investment activity as well as all contractual payments of interest and principal on debt. For ongoing liquidity management, the maturity dates of loans receivable by VFI are generally managed to match or precede the maturity dates of

(In thousands)

VFI's notes payable to various lenders. The following shows the VFI liquidity as of September 30, 2020 and 2019.

		2020	2019
Current financial assets at year-end:			
Cash and cash equivalents	$	27,798	15,175
Total current financial assets available to meet cash needs for general expenditures within one year	$	27,798	15,175

(b) MFI Liquidity and Availability

The principal use of funds for MFIs are for net operating cash flows, loans to clients, debt repayments, demand deposit repayments, and capital expenditures. Each MFI adheres to the Organization's liquidity policy; however, each MFI also must adhere to their respective in country regulatory environment and operating model requirements, which vary by country. Every month, each MFI prepares a rolling six-month cash flow forecast, with disbursement plans by branch, to calculate how much cash on hand is needed. If an MFI needs additional liquidity, they will typically disburse fewer loans in order to increase liquidity and cover their liabilities. However, if necessary, management and VFI will work together to find a suitable solution, which can include providing a loan or equity from VFI to the MFI as well as other strategic solutions. The maturity dates of the MFI loans to clients are generally managed to match or precede the maturity dates of notes payable to various lenders. The following shows the MFI liquidity as of September 30, 2020 and 2019.

		2020	2019
Current financial assets at year-end:			
Cash and cash equivalents	$	51,487	29,494
Investments		26,433	17,507
Total investments		77,920	47,001
Less restricted funds not available to be used within one year:			
Restricted investments		4,790	2,499
Total current financial assets available to meet cash needs for general expenditures within one year	$	73,130	44,502

(14) COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread around the globe. The COVID-19 pandemic has created uncertainty in the global economy that has resulted in an unprecedented sharp economic downturn in most of the countries in which the Organization operates. COVID-19 has also adversely impacted the economic livelihoods of many of the individuals in these countries, including the Organization's end clients. The complete extent of the impact of COVID-19 on the Organization has not been completely felt and remains unknowable, and the full effect on the Organization's financial position cannot be fully quantified at this time.

The Organization has worked to modify client loans through rescheduling, restructuring, and refinancing, where appropriate and feasible, and also provide recovery loan products to rebuild client economic livelihoods. The MFI loans to client portfolio declined in value during the year to adhere to mandated country moratoria and to preserve liquidity. As expected, the Organization's portfolio quality has been negatively impacted since the onset of the pandemic, and there has been a greater focus on client loan collections, which will continue into fiscal year 2021. Similarly, the Organization has worked to modify its financial obligations with third-party lenders to ensure stable liquidity. By September 2020, the Organization obtained informal standstill agreements, and formal waivers and amendments where appropriate, with all material lenders, extending repayments on notes payable and amending financial covenants.

(15) Subsequent Events

Subsequent events have been evaluated from September 30, 2020 through April 29, 2021, which is the date these consolidated financial statements were available to be issued.

In December 2020, the Organization converted $2,312 of loans to equity in its consolidated subsidiary in Honduras (FUNED VisionFund OPDF) to ensure the net asset level of the MFI was compliant with regulatory solvency limits. At this time, the MFI net asset level is within the regulatory limit and does not require further solvency assistance.

Since February 2021, Myanmar has been experiencing significant civil unrest which has led to changes in banking conditions and decreased access to financial services, among other things. In general, most banks have been closed in recent weeks. At this time, Visionfund Myanmar is operating as fully as possible in order to provide access to financial services to its clients. VisionFund Myanmar has been managing cash limits at each branch and is exploring options to reduce liquidity risks at branch locations in case of continued bank closures. Overall, liquidity and solvency are stable with reserves in place to cover operating expenses. The focus on client loan collections and the quality of the client loan portfolio continue to be significant operating risks that VisionFund Myanmar and the Organization are monitoring and managing closely.