VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG

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, 2021 and 2020, 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, 2021 and 2020, 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

Irvine, California
April 29, 2022

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

September 30, 2021 and 2020

(in thousands)

Assets		**2021**	**2020**
Cash, cash equivalents and restricted cash (Note 13)	$	67,219	79,285
Investments (Notes 3 and 4)		8,818	21,643
Interest receivable		9,680	11,553
Accounts receivable		3,602	6,743
Loans to affiliated microfinance institutions, net of allowance for loan losses of $172 and $486 as of September 30, 2021 and 2020, respectively (Note 5a)		13,010	15,963
Loans to microfinance institution clients, net of allowance for loan losses of $38,331 and $26,114 as of September 30, 2021 and 2020, respectively (Note 5b)		245,293	270,800
Restricted investments (Notes 3, 4, 12 and 13)		2,978	4,790
Property, plant and equipment, net (Note 6)		10,807	11,079
Other assets		11,377	11,191
Total Assets	$	372,784	433,047
Liabilities			
Accounts payable and accrued expenses	$	17,373	17,716
Interest payable		1,075	2,193
Deposits from microfinance institution clients		30,219	29,511
Notes payable (Note 7)		163,279	200,224
Other liabilities		10,628	6,238
Total Liabilities		222,574	255,882
Net Assets			
Net assets without donor restrictions – controlling interest (Note 8)		138,560	165,602
Net assets without donor restrictions – non-controlling interest (Note 8)		4,781	5,061
Total net assets without donor restrictions		143,341	170,663
Net assets with donor restrictions		6,869	6,502
Total net assets		150,210	177,165
Total liabilities and net assets	$	372,784	433,047

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended September 30, 2021 and 2020

(in thousands)

		2021	2020
Net assets without donor restrictions:			
Operating revenue:			
Interest, fees, and commission revenue	$	100,539	107,182
Interest, fees, and commission expense (Note 9)		(20,352)	(21,612)
Net financial income		80,187	85,570
Provision for loan losses (Notes 5 and 9)		(27,982)	(20,614)
Funds recovered from loans written off (Note 5)		2,599	1,800
Net financial income after provision for loan losses		54,804	66,756
Other operating income		2,680	2,476
Total revenue from operations		57,484	69,232
Operating expenses (Note 9):			
Salaries and benefits		52,125	54,748
Supplies, copying, and printing		1,974	1,911
Professional fees		4,767	5,714
Communication expense		3,219	2,117
Occupancy expense		4,740	5,087
Travel and transportation		3,307	4,510
Depreciation		3,533	4,103
Training and technical assistance		316	698
Other operating expenses		10,123	8,044
Total operating expenses		84,104	86,932
Operating loss before taxes and other non-operating changes in net assets without donor restrictions		(26,620)	(17,700)
Tax expense (Note 9)		2,192	2,956
Net operating loss		(28,812)	(20,656)
Other non-operating changes in net assets without donor restrictions:			
Unrestricted contributions (Note 10)		8,962	7,936
Amounts granted to affiliated microfinance institutions		(1,706)	(1,895)
Foreign currency transaction losses (Note 2)		(4,440)	(5,262)
Foreign currency translation (losses)/gains (Note 2)		(5,897)	1,488
Net assets released from restriction (Note 8)		3,502	7,184
Other non-operating gains (losses)		1,069	(1,044)
Net change in net assets without donor restrictions		(27,322)	(12,249)
Net assets with donor restrictions:			
Restricted contributions (Note 10)		3,869	7,706
Net assets released from restriction (Note 8)		(3,502)	(7,184)
Net change in net assets with donor restrictions		367	522
Change in net assets		(26,955)	(11,727)
Net assets, beginning of year		177,165	188,892
Net assets, end of year	$	150,210	177,165

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2021 and 2020

(in thousands)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	(26,955)	(11,727)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation expense		3,533	4,103
Provision for loan losses		27,982	20,614
Foreign currency revaluation		1,511	(2,917)
(Gain)/Loss on forward contracts		(1,258)	1,974
Loss on disposal of equipment		463	487
Change in assets and liabilities:			
Interest receivable		1,873	(3,496)
Accounts receivable		3,141	84
Other assets		(186)	952
Accounts payable and accrued expenses		(343)	10,844
Interest payable		(1,118)	193
Other liabilities		5,649	(2,844)
Net cash provided by operating activities		14,292	18,267
Cash flows from investing activities:			
Purchase of equipment		(2,717)	(4,581)
Proceeds from sales of equipment		156	—
Distribution of loans		(429,687)	(430,774)
Proceeds from loan portfolio repayment		417,295	434,678
Purchases of investments		(22,287)	(27,352)
Proceeds from sales of investments		36,467	18,127
Net cash (used in) investing activities		(773)	(9,902)
Cash flows from financing activities:			
Proceeds from notes payable		52,446	88,050
Payments on notes payable		(78,739)	(63,290)
Deposits from microfinance institution clients		708	1,491
Net cash (used in)/provided by financing activities		(25,585)	26,251
Net (decrease)/increase in cash and cash equivalents		(12,066)	34,616
Cash, cash equivalents and restricted cash, beginning of year		79,285	44,669
Cash, cash equivalents and restricted cash, end of year	$	67,219	79,285
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	21,469	21,419
Cash paid during the year for taxes		1,841	1,714

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	Armenia
VisionFund DRC, S.A.	Democratic Republic of the Congo
VisionFund Republica Dominicana SAS	Dominican Republic
Banco VisionFund Ecuador S.A.	Ecuador
VFC Foundation	Georgia
VisionFund Caucasus LLC	Georgia
VisionFund Ghana Money Lending Limited	Ghana
VisionFund Guatemala, S.A.	Guatemala
FUNED VisionFund OPDF	Honduras
VisionFund India Private Limited	India
VisionFund Kenya Ltd.	Kenya
VisionFund Limited	Malawi
VisionFund Mexico S.A. de C.V., SOFOM, E.N.R.	Mexico
VisionFund NBFI LLC	Mongolia
VisionFund AgroInvest LLC	Montenegro
MFI Monte Credit LLC	Montenegro
VisionFund Myanmar Company Limited	Myanmar
EDPYME CrediVision S.A. CrediVision	Peru
VisionFund Rwanda PLC	Rwanda
VisionFund Senegal Microfinance SA	Senegal
AgroInvest Fond LLC	Serbia
AgroInvest Foundation Serbia	Serbia

(Continued)

Name	Country
VisionFund Holdings (Private) Limited	Sri Lanka
VisionFund Lanka Limited	Sri Lanka
VisionFund Tanzania MFC	Tanzania
VisionFund Uganda Ltd.	Uganda
VisionFund Zambia Ltd.	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 – 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 – represent the portion of the Organization’s resources attributable to non-controlling shareholders of consolidated subsidiaries. The value of the non-controlling interest is based on the ownership percentage of the non-controlling shareholders in the respective subsidiaries.

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, 2021 and 2020, net assets with donor 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.

(Continued)

(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. Contributions that contain donor-imposed condition are not recorded until the condition is substantially met or when the possibility that the condition will not be met is remote. A donor-imposed condition must include both a barrier and a right of asset return or pledge cancellation.

Contributed Net Assets – contributed net assets result from contributions or transfers of ownership of World Vision affiliated MFIs to the VFI. The net asset contribution is recorded at carrying value on the date of acquisition or transfer. VFI reflects the net carrying value of these contributed MFIs as non-operating increases to net assets in the accompanying consolidated statements of activities. There were no contributed net assets during the years ended September 30, 2021 and 2020.

(d) Amounts granted to affiliated MFIs

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

(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 (deficit) balances as of September 30, 2021 and 2020:

(in thousands)

Country		2021	2020
United States	$	74,420	85,502
Ecuador		18,399	17,501
Tanzania		10,611	10,716
Mexico		6,197	3,769
Serbia & Montenegro		5,959	6,532
Senegal		4,788	4,216
Armenia		4,686	5,098
Mongolia		3,347	3,242
Ghana		2,995	1,954
Kenya		2,973	2,767
Zambia		2,680	2,175
Uganda		2,424	2,150
Guatemala		2,070	608
Malawi		1,818	1,872
Dominican Republic		1,783	1,923
Peru		1,082	1,591
Sri Lanka		838	664
Honduras		773	(641)
Rwanda		712	617
India		682	—
Myanmar		452	20,578
Democratic Republic of the Congo		331	2,042
Georgia		190	2,289
	$	150,210	177,165

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.

(f) Tax status

VFI is organized as a nonprofit corporation 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, 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, 2021 and 2020.

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 the 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, 2021 and 2020 there is restricted cash of $579 and $0 which is collateral for a Standby Letter of Credit with Standard Chartered Bank which allows AgroInvest to borrow from OTP Bank.

(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 VFI to affiliated independent MFIs, as well as loans made by VFI to the entrepreneurial poor through subsidiaries in their respective areas of operation.

For loans to unconsolidated 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.

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 non-operating changes in unrestricted net assets in the accompanying consolidated statements of activities. As of September 30, 2021 and 2020, the net assets of subsidiaries denominated in local currency and subject to translation adjustments totaled $57,391 and $74,162, respectively. For the years ended September 30, 2021 and 2020, due to the general fluctuation in the exchange rate of the U.S. dollar against the local currencies of the subsidiaries, foreign currency translation (losses)/gains totaled ($5,897) and $1,488, 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, 2021 and 2020, foreign currency transaction losses totaled $4,440 and $5,262, respectively.

(l) Foreign exchange currency contracts

VFI has a number of loans denominated in foreign currencies. In order to protect against fluctuations in such currencies, VFI 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, 2021 and 2020, VFI had in place foreign currency contracts with a notional value totaling $67,614 and $90,801, respectively. As of September 30, 2021 and 2020, VFI recorded the fair value of liabilities and assets of $566 and $893, respectively, as part of other assets. The resulting gains and losses are recorded as foreign currency transaction losses in the accompanying consolidated statements of activities as described in note 2(k)(ii).

(in thousands)

(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, 2021 and 2020, the fair value of investments is as follows:

Foreign bank time deposits		2021	2020
Unrestricted	$	8,818	21,643
Restricted (notes 12 and 13)		2,978	4,790
Total investments	$	11,796	26,433

(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.

(in thousands)

- 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:

		2021	2020
Significant other observables inputs (Level 2):			
Assets:			
Foreign bank time deposits:			
Serbia	$	3,091	5,128
Sri Lanka		2,930	3,799
Tanzania		2,385	1,081
Kenya		1,357	1,457
Ecuador		903	5,135
Guatemala		506	1,753
Ghana		496	1,114
DRCongo		117	149
Peru		9	11
Rwanda		2	2
Honduras		—	2,726
Armenia		—	2,431
Zambia		—	850
Dominican Republic		—	528
Uganda		—	269
Total investments	$	11,796	26,433
Foreign exchange currency contracts		566	(893)

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 statements of financial position.

(in thousands)

(5) Loan portfolio

(a) Loans to affiliated Microfinance Institutions (MFIs)

Amounts in loans to affiliated MFIs represent funds lent by VFI to affiliated, independent (unconsolidated) MFIs for further lending to micro-entrepreneurs. As of September 30, 2021 and 2020, these loans totaled $13,182 and $16,449, 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, 2021, these loans are scheduled for repayment as follows:

		Principal repayment schedule
Fiscal year:		
2022	$	12,006
2023		111
2024		1,065
		13,182
Less allowance for loan losses		(172)
Loans to affiliated MFI's, net	$	13,010

Changes in the allowance for loan losses for the years ended September 30, 2021 and 2020 are as follows:

Allowance for loan losses		2021	2020
Beginning of Year	$	486	486
Loans written off		—	—
Provision for loan losses		(314)	—
End of Year	$	172	486

(in thousands)

Loans to affiliated MFIs were concentrated in the following regions as of September 30, 2021 and 2020:

Region of operations		2021	2020
Africa	$	8,357	8,619
Middle East/Eastern Europe		1,936	3,619
Asia/Pacific		1,760	3,082
Latin America/Caribbean		1,129	1,129
	$	13,182	16,449

The Organization evaluates its loans receivable using conforming or non-conforming 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 non-conforming on an annual basis. There are no non-conforming loans to affiliated MFIs as at September 30, 2021 and 2020.

(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. At September 30, 2021 and 2020, the Organization's loans to MFI clients totaled $283,624 and $296,914, respectively. The allowance for loan loss as of September 30, 2021 and 2020 was $38,331 and $26,114, 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 two hundred and twenty dollars to two thousand eight hundred dollars. These loans have terms commonly ranging from eight to sixty months, their weighted average maturities being approximately nineteen months. Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. For the years ended September 30, 2021 and 2020, the weighted average annual interest rates charged were 33% for each year.

Loans to MFI clients were made in the following regions as of September 30, 2021 and 2020:

Region of operations		2021	2020
Latin America/Caribbean	$	148,613	132,980
Africa		55,239	46,591
Asia/Pacific		51,392	84,734
Middle East/Eastern Europe		28,380	32,609
	$	283,624	296,914

(in thousands)

An aging analysis of loans to MFI clients as of September 30, 2021 is as follows:

		Outstanding balance	Allowance for loan losses
Current or less than 30 days past due	$	234,302	1,324
31-60 days past due		3,388	951
61-90 days past due		3,438	1,043
91 days or more past due		42,496	35,013
	$	283,624	38,331

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

As of September 30, 2021 and 2020, loans 91 days or more past due totaling $42,496 and $19,051, 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 ending September 30, 2021 and 2020, funds recovered from loans written off totaled $2,599 and $1,800, respectively.

Changes in the allowance for loan losses for the years ended September 30, 2021 and 2020 are as follows:

Allowance for loan losses		2021	2020
Beginning of year	$	26,114	12,067
Loans written off		(10,849)	(6,074)
Provision for loan losses		28,296	20,614
Currency revaluation		(5,230)	(493)
End of Year	$	38,331	26,114

(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, 2021 and 2020:

		2021	2020
Land and buildings	$	3,999	4,068
Equipment		5,803	6,248
Vehicles		4,564	4,298
Computers and software		14,827	13,293
		29,193	27,907
Less accumulated depreciation		(18,386)	(16,828)
Total		10,807	11,079

(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, 2021 and 2020 notes payable were $163,279 and $200,224, respectively. Interest rates on notes payable vary by country and currency. The following are the interest rates on these loans as of September 30, 2021 and 2020:

September 30, 2021				September 30, 2020			
Number of loans		Total loan value	Interest rates	Number of loans		Total loan value	Interest rates
146	$	61,339	0% to 5%	108	$	49,644	0% to 5%
157		59,756	5.1% to 10%	99		83,872	5.1% to 10%
74		26,305	10.1% to 15%	58		45,163	10.1% to 15%
26		15,879	over 15%	19		21,545	over 15%
	$	163,279			$	200,224	

(Continued)

(in thousands)

The following loans outstanding as of September 30, 2021 are scheduled for repayment as follows:

		Principal payment schedule
Fiscal Year:		
2022	$	75,205
2023		41,853
2024		16,330
2025		26,817
2026		1,910
2027 and beyond		1,164
	$	163,279

As of September 30, 2021, notes payable are unsecured with the exception of $9,107 in loans that have been collateralized by the assets of individual subsidiaries and VFI.

VFI has one available unused line of credit of $10,000 as of September 30, 2021. The $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. At September 30, 2020, VFI had two available unused lines of credits totaling $20,000.

(8) Net assets without donor restrictions

Changes in net assets without donor restrictions for the year ended September 30, 2021 are as follows:

		Total	Controlling interest	Non-controlling interest
Balance, October 1, 2020	$	170,663	165,602	5,061
Transfers to noncontrolling interest		—	(347)	347
Deficiency of revenues over expenses		(30,824)	(30,197)	(627)
Net assets released from restriction		3,502	3,502	—
Movement in net assets		(27,322)	(27,042)	(280)
Balance, September 30, 2021	$	143,341	138,560	4,781

(in thousands)

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

		Total	Controlling interest	Non-controlling 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

As of September 30, 2021 and 2020, non-controlling interest was $4,781 and $5,061. Non-controlling interest is primarily concentrated in VF Tanzania (66% ownership by VFI) and VF DRC (80% ownership by VFI).

(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 VFI'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 is determined by how directly the expense supports the operations of subsidiaries who deliver the services. All other expenses are designated as supporting services.

For the year ended September 30, 2021, of the $134,630 in total expenses (excluding foreign currency adjustments), $123,580 was incurred in the course of program services and $11,050 was incurred in the course of supporting services by VFI. For the year ended September 30, 2020, of the $132,114 in total expenses (excluding foreign currency adjustments), $118,694 was incurred in the course of program services and $13,420 was incurred in the course of supporting services by VFI.

(in thousands)

	2021			2020		
	Program	**Supporting**	**Total**	**Program**	**Supporting**	**Total**
Interest, fees, and commission expense	$ 20,352	—	20,352	21,612	—	21,612
Provision for loan losses	27,982	—	27,982	20,614	—	20,614
Tax expense	2,192	—	2,192	2,956	—	2,956
Salaries and benefits	43,500	8,625	52,125	44,775	9,973	54,748
Supplies, copying, and printing	1,568	406	1,974	1,809	102	1,911
Professional fees	3,815	952	4,767	3,556	2,158	5,714
Communication expense	3,181	38	3,219	2,070	47	2,117
Occupancy expense	4,461	280	4,741	4,659	428	5,087
Travel and transportation	3,186	121	3,307	3,860	650	4,510
Depreciation	3,533	—	3,533	4,103	—	4,103
Training and technical assistance	286	30	316	663	35	698
Other operating expenses	9,524	598	10,122	8,017	27	8,044
Total	$ 123,580	11,050	134,630	118,694	13,420	132,114

(10) Contributions

Contributions for the years ended September 30, 2021 and 202 totaled $12,831 and $15,642, respectively.

Contributions, classified as non-operating changes in net assets, were from the following:

	2021	2020
Unrestricted:		
World Vision United States	$ 6,799	6,460
World Vision United Kingdom	845	398
World Vision Myanmar	300	—
World Vision Senegal	54	—
World Vision Rwanda	52	4
World Vision DR Congo	20	—
World Vision Sri Lanka	12	—
World Vision Singapore	10	111
World Vision Australia	(27)	74
World Vision International	—	486
World Vision Hong Kong	—	158
World Vision Ghana	—	48
World Vision Kenya	—	18
Non-affiliated Agencies	897	179
Total unrestricted	8,962	7,936

(in thousands)

		2021	2020
Restricted:			
World Vision Canada	$	1,733	75
World Vision United States		1,347	4,966
World Vision Australia		12	250
World Vision Austria		141	146
World Vision New Zealand		—	37
Non-affiliated Aid Agencies:			
Livelihoods and Food Security Trust Fund (LIFT)		279	1,199
Blue Orchard		—	554
Grameen		299	316
Others		58	163
Total restricted		3,869	7,706
Total contributions	$	12,831	15,642

(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, investment in affiliates, loan guarantees, and pledges of investments. Certain items are further described below.

As of September 30, 2021 and 2020, VFI had accounts payable to World Vision totaling $4,106 and $290 respectively. These amounts were for operating expenses paid by World Vision on behalf of VFI.

(12) Contingent liabilities

The operations of AgroInvest Fund LLC (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, 2021, the value of the guaranteed loan portfolio totaled $3,090 of which $2,978 corresponds to total portfolio amount and the rest of $112 corresponds to available deposit pledged for future disbursements, according to the revised servicing agreement with a third-party bank signed in 2020. These loans are included on the consolidated statements of financial position. As of September 30, 2021 and 2020, the value of deposits held by VF Serbia as security for these loans totaled $2,978 and $4,790, 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, 2021, 1.9% of the guaranteed loan portfolio was over 90 days past due. The average loan term of the guaranteed loans is 23 months.

Subsequent to September 30, 2021, VF Serbia stopped disbursing new loans via the third-party bank.

(in thousands)

(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 23 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, 2021 and 2020, 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 is submitted to VFI and integrated with VFIs 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 VFIs notes payable to various lenders. The following shows the VFI liquidity as of September 30, 2021 and 2020.

	2021	2020
Current financial assets at year end:		
Cash, cash equivalents and restricted cash	$ 24,852	27,798
Total cash, cash equivalents and restricted cash	24,852	27,798
Less restricted funds not available to be used within one year:		
Restricted cash	579	—
Total current financial assets available to meet cash needs for general expenditures within one year	$ 24,273	27,798

(in thousands)

(b) MFI liquidity and availability

The principal use of funds for MFIs is for loans to clients, net operating cash flows, debt repayments, demand deposits 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. 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, 2021 and 2020.

		2021	2020
Current financial assets at year end:			
Cash and cash equivalents	$	42,367	51,487
Investments		8,818	21,643
Restricted investments		2,978	4,790
Total cash and investments		54,163	77,920
Less restricted funds not available to be used within one year:			
Restricted investments		2,978	4,790
Total current financial assets available to meet cash needs for general expenditures within one year	$	51,185	73,130

(14) COVID-19

The COVID-19 pandemic continued to impact on the operations of the Organization and its clients throughout the year. This impact, in many of the countries in which the Organization operates, predominantly related to local lockdowns as well as the adverse impact on the economic livelihood of many of the Organization's end clients. This impact was spread unevenly around the world as countries exit the pandemic to varying degrees and at varying speeds.

The Organization has worked to support its clients during the pandemic by modifying client loans through rescheduling, restructuring and refinancing, where appropriate and feasible, and also providing recovery loan products to rebuild client economic livelihoods. As expected, the Organization's portfolio quality was negatively impacted and there was an increased focus on client loan collections in 2021. The Organization's third party lenders continue to be supportive.

(15) Subsequent events

Subsequent events have been evaluated from September 30, 2021 through April 29, 2022, which is the date these consolidated financial statements were available to be issued.