KPMG

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
VisionFund International and Subsidiaries:

Opinion

We have audited the consolidated financial statements of VisionFund International and Subsidiaries, a wholly controlled subsidiary of World Vision International (the Organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the results of its changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of Banco VisionFund Ecuador S.A. (Banco VF Ecuador), a wholly owned subsidiary of VisionFund International, which statements reflect total assets constituting 27.4 percent of consolidated total assets as of September 30, 2022 and total revenues constituting 13.7 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Banco VF Ecuador, is based solely on the report of the other auditors.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 14 to the consolidated financial statements, during the year ended September 30, 2022, VisionFund International committed to a plan to exit operations in Armenia through the sale of its ownership of SEF International Universal Credit Organization. The sale was completed in January 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

Los Angeles, California
April 26, 2023

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

September 30, 2022 and 2021

(In thousands)

Assets		**2022**	**2021**
Cash, cash equivalents and restricted cash (note 13)	$	56,400	67,219
Investments (notes 3, 4 and 13)		9,471	8,818
Interest receivable		6,813	9,680
Accounts receivable		2,227	3,602
Loans to affiliated microfinance institutions, net of allowance for loan losses of $435 and $172 as of September 30, 2022 and 2021 respectively (note 5a)		14,641	13,010
Loans to microfinance institution clients, net of allowance for loan losses of $8,351 and $38,331 as of September 30, 2022 and 2021, respectively (note 5b)		247,611	245,293
Restricted investments (note 3, 4 and 13)		2,901	2,978
Property, plant and equipment, net (note 6)		9,565	10,807
Other assets		9,044	11,377
Assets held for sale (note 14)		25,388	—
Total assets	$	384,061	372,784
Liabilities			
Accounts payable and accrued expenses	$	12,174	17,373
Interest payable		2,700	1,075
Deposits from microfinance institution clients		34,457	30,219
Notes payable (note 7)		160,682	163,279
Other liabilities		15,471	10,628
Liabilities held for sale (note 14)		19,295	—
Total liabilities		244,779	222,574
Net Assets			
Net assets without donor restrictions – controlling interest (note 8)		126,252	138,560
Net assets without donor restrictions – non-controlling interest (note 8)		4,139	4,781
Total net assets without donor restrictions		130,391	143,341
Net assets with donor restrictions		8,891	6,869
Total net assets		139,282	150,210
Total liabilities and net assets	$	384,061	372,784

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended September 30, 2022 and 2021

(In thousands)

		2022	2021
Net assets without donor restrictions:			
Operating revenue:			
Interest, fees, and commission revenue	$	106,589	100,539
Interest, fees, and commission expense (note 9)		(18,528)	(20,352)
Net financial income		88,061	80,187
Provision for loan losses (notes 5 and 9)		(4,583)	(27,982)
Funds recovered from loans written off		4,711	2,599
Net financial income after provision for loan losses and loan recoveries		88,189	54,804
Other operating income		3,557	2,680
Total revenue from operations		91,746	57,484
Operating expenses (note 9):			
Salaries and benefits		56,046	52,125
Supplies, copying, and printing		3,223	1,974
Professional fees		6,315	4,767
Communication expense		2,264	3,219
Occupancy expense		4,804	4,740
Travel and transportation		4,637	3,307
Depreciation		3,674	3,533
Training and technical assistance		586	316
Other operating expenses		11,439	10,123
Total operating expenses		92,988	84,104
Operating loss before taxes and other non-operating changes in net assets without donor restrictions		(1,242)	(26,620)
Tax expense (note 9)		4,274	2,192
Net operating loss		(5,516)	(28,812)
Other non-operating changes in net assets without donor restrictions:			
Unrestricted contributions (note 10)		9,828	8,962
Amounts granted to affiliated microfinance institutions		(2,625)	(1,706)
Foreign currency transaction losses (note 2)		(6,347)	(4,440)
Foreign currency translation losses (note 2)		(7,333)	(5,897)
Net assets released from restriction (note 8)		4,331	3,502
Impairment loss in value of subsidiary (note 15)		(962)	—
Other non-operating gains		4	1,069
Net change in net assets without donor restrictions		(8,620)	(27,322)
Net assets with donor restrictions:			
Restricted contributions (note 10)		2,023	3,869
Net assets released from restriction (note 8)		(4,331)	(3,502)
Net change in net assets with donor restrictions		(2,308)	367
Change in net assets		(10,928)	(26,955)
Net assets, beginning of year		150,210	177,165
Net assets, end of year	$	139,282	150,210

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(10,928)	(26,955)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Impairment loss on held for sale subsidiaries		693	—
Depreciation expense		3,674	3,533
Provision for loan losses		4,583	27,982
Foreign currency revaluation		4,409	1,511
(Gain)/Loss on forward contracts		1,632	(1,258)
(Gain)/Loss on disposal of equipment		(131)	463
Change in assets and liabilities:			
Interest receivable		1,844	1,873
Accounts receivable		1,142	3,141
Other assets		2,308	(186)
Accounts payable and accrued expenses		(4,851)	(343)
Interest payable		1,766	(1,118)
Other liabilities		4,357	5,649
Net cash provided by operating activities		10,498	14,292
Cash flows from investing activities:			
Purchase of equipment		(4,293)	(2,717)
Proceeds from sales of equipment		163	156
Distribution of loans		(461,980)	(429,687)
Proceeds from loan portfolio repayment		425,523	417,295
Purchases of investments		(13,045)	(22,287)
Proceeds from sales of investments		10,071	36,467
Net cash used in investing activities		(43,561)	(773)
Cash flows from financing activities:			
Debt issuance cost		(101)	—
Proceeds from notes payable		91,135	52,446
Payments on notes payable		(70,633)	(78,739)
Deposits from microfinance institution clients		4,239	708
Net cash provided by (used in) financing activities		24,640	(25,585)
Net decrease in cash, cash equivalents and restricted cash		(8,423)	(12,066)
Cash, cash equivalents and restricted cash, including amount for the subsidiary held for sale, beginning of year		67,219	79,285
Less: Cash, cash equivalents and restricted cash for the subsidiary held for sale, end of year		(2,396)	—
Cash, cash equivalents and restricted cash, end of year	$	56,400	67,219
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	16,761	21,469
Cash paid during the year for taxes		2,846	1,841

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 (note 14)	Armenia
VisionFund DRC	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 Micro Credit Limited	Ghana
VisionFund Guatemala, S.A.	Guatemala
FUNED Vision Fund OPDF	Honduras
VisionFund India Private Limited	India
VisionFund Kenya Limited	Kenya
VisionFund Ltd.	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

Name	Country
VisionFund Myanmar Company Limited	Myanmar
EDPYME Credivision S.A.	Peru
VisionFund Rwanda PLC	Rwanda
Visionfund Sénégal Microfinance, SA	Senegal
AgroInvest Fond LLC	Serbia
AgroInvest Foundation Serbia	Serbia
VisionFund Holdings (Private) Limited	Sri Lanka
VisionFund Lanka Limited	Sri Lanka
VISIONFUND TANZANIA MFB LIMITED	Tanzania
VisionFund Uganda Limited	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.

(Continued)

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, 2022 and 2021, 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.

(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 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, 2022 and 2021.

(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.

(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/(deficit) balances as of September 30, 2022 and 2021:

Country	2022	2021
United States	$ 54,999	74,420
Ecuador	20,255	18,399
Mexico	9,240	6,197
Tanzania	8,809	10,611
Armenia	6,286	4,686
Senegal	4,455	4,788
Honduras	3,823	773
Serbia & Montenegro	3,566	5,959
Zambia	3,543	2,680
Ghana	3,336	2,995
Mongolia	3,321	3,347
Malawi	3,289	1,818
India	3,043	682
Uganda	2,788	2,424
Kenya	2,573	2,973
Dominican Republic	2,537	1,783
Guatemala	2,212	2,070
Rwanda	2,169	712
Peru	403	1,082
Sri Lanka	279	838
Georgia	190	190
Democratic Republic of the Congo	(144)	331
Myanmar	(1,690)	452
	$ 139,282	150,210

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.

(Continued)

(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, 2022 and 2021.

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, Cash Equivalents and Restricted Cash

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 there was restricted cash of $579 which was collateral for a Standby Letter of Credit with Standard Chartered Bank which allowed AgroInvest to borrow from OTP Bank. This was settled in Fiscal Year 2022. There is no restricted cash as of September 30, 2022.

(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.

As of September 30, 2022 and 2021, total restricted investment amount held as guarantee for loans totaled $2,901 and $2,978, respectively while the unrestricted investment amount totaled $9,471 and $8,818, respectively.

(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 affiliated unconsolidated 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, 2022 and 2021, the net assets of subsidiaries denominated in local currency and subject to translation adjustments totaled $64,028 and $57,391, respectively. For the years ended September 30, 2022 and 2021, 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 totaled $7,333 and $5,897, 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, 2022 and 2021, foreign currency transaction losses totaled $6,347 and $4,440, 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, 2022 and 2021, VFI had in place foreign currency contracts with a notional value totaling $70,488 and $67,614, respectively. As of September 30, 2022 and 2021, VFI recorded the fair value of assets (liabilities) of ($1,065) and $566, 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).

(m) 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.

(n) Newly Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to recognize a lease asset and a lease liability for most of its operating leases. Prior to the adoption of the update, operating leases are not recognized by a lessee in its statements of financial position. In general, the new leased asset and liability will equal the present value of lease payments. The statement is effective for the fiscal year ending September 30, 2023. The Organization is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13*, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The statement is effective the fiscal year ending September 30, 2024. The Organization is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

(In thousands)

(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.

(p) Concentration of Credit Risk

FDIC Insurance insures United States regulated bank deposits up to $250. As of September 30, 2022, the total deposits at institutions exceeded the amount covered by the bank deposit insurance by $26,435. For deposits outside the United States, the Organization is exposed to a maximum of $27,982 in the event of no-performance of the banks as of September 30, 2022. To date, the Organization has not sustained a loss due to non-performance of a financial institution.

(3) Investments

Investments consist primarily of time deposits held at foreign banks for short-term lending and funding needs. As of September 30, 2022 and 2021, the fair value of investments is as follows:

Foreign bank time deposits		2022	2021
Unrestricted	$	9,471	8,818
Restricted (note 13)		2,901	2,978
Total investments	$	12,372	11,796

(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.

(In thousands)

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

		2022	2021
Significant other observables inputs (Level 2):			
Assets:			
Foreign bank time deposits:			
Sri Lanka	$	2,754	2,930
Myanmar		2,143	—
Ecuador		1,918	903
Kenya		1,552	1,357
Guatemala		1,521	506
Ghana		867	496
Serbia		798	3,091
Zambia		380	—
India		311	—
DRCongo		122	117
Honduras		5	—
Rwanda		1	1
Tanzania		—	2,385
Peru		—	9
Total investments	$	12,372	11,795
Foreign exchange currency contracts	$	—	566
Liabilities:			
Foreign exchange currency contracts	$	1,065	—

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.

(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, 2022 and 2021, these loans totaled $15,076 and $13,182, respectively. Interest rates for loans to MFIs by VFI ranges 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, 2022, these loans are scheduled for repayment as follows:

(In thousands)

		Principal repayment schedule
Fiscal year:		
2023	$	9,596
2024		2,016
2025		3,464
		15,076
Less allowance for loan losses		(435)
Loans to affiliated MFI's, net	$	14,641

Changes in the allowance for loan losses for the years ended September 30, 2022 and 2021 are as follows:

Allowance for loan losses		2022	2021
Beginning of year	$	172	486
Loans written off		—	—
Reduction of allowance		—	(314)
Provision for loan losses		263	—
End of year	$	435	172

Loans to affiliated MFIs were concentrated in the following regions as of September 30, 2022 and 2021:

Region of operations		2022	2021
Africa	$	9,887	8,357
Middle East/Eastern Europe		1,932	1,936
Asia/Pacific		1,727	1,760
Latin America/Caribbean		1,530	1,129
	$	15,076	13,182

(In thousands)

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, 2022 and 2021.

(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, 2022 and 2021, the Organization's loans to MFI clients totaled $255,962 and $283,624, respectively. The allowance for loan loss as of September 30, 2022 and 2021 was $8,351 and $38,331, 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 $70 to $2,453. These loans have terms commonly ranging from twelve to ninety-six 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, 2022 and 2021, the weighted average annual interest rates charged were 34% and 33%, respectively for each year.

Loans to MFI clients were made in the following regions as of September 30, 2022 and 2021:

Region of operations		2022	2021
Latin America/Caribbean	$	164,617	148,613
Africa		59,227	55,239
Asia/Pacific		23,244	51,392
Middle East/Eastern Europe		8,874	28,380
	$	255,962	283,624

An aging analysis of loans to MFI clients as of September 30, 2022 is as follows:

		Outstanding balance	Allowance for loan losses
Current or less than 30 days past due	$	247,279	1,319
31-60 days past due		1,648	756
61-90 days past due		1,117	574
91 days or more past due		5,918	5,702
	$	255,962	8,351

(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

As of September 30, 2022 and 2021, loans 91 days or more past due totaling $5,918 and $42,496, 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, 2022 and 2021, funds recovered from loans written off totaled $4,711 and $2,599, respectively.

Changes in the allowance for loan losses for the years ended September 30, 2022 and 2021 are as follows:

Allowance for loan losses	2022	2021
Beginning of year	$ 38,331	26,114
Loans written off	(31,995)	(10,849)
Provision for loan losses	4,320	28,296
Currency revaluation	(1,468)	(5,230)
Less: Allowance for loan losses for asset held for sale, beginning balance	(837)	—
End of year	$ 8,351	38,331

(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, 2022 and 2021:

		2022	2021
Land and buildings	$	2,243	3,999
Equipment		4,909	5,803
Vehicles		3,857	4,564
Computers and software		14,991	14,827
		26,000	29,193
Less accumulated depreciation		(16,435)	(18,386)
Total	$	9,565	10,807

(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. Interest rates on notes payable vary by country and currency. The following are the interest rates on these loans as of September 30, 2022 and 2021:

September 30, 2022				September 30, 2021			
Number of loans		Total loan value	Interest rates	Number of loans		Total loan value	Interest rates
117	$	64,122	0% to 5%	146	$	61,339	0% to 5%
127		61,583	5.1% to 10%	157		59,756	5.1% to 10%
62		20,479	10.1% to 15%	74		26,305	10.1% to 15%
47		14,498	over 15%	26		15,879	over 15%
	$	160,682			$	163,279	

(Continued)

(In thousands)

The following loans outstanding as of September 30, 2022 are scheduled for repayment as follows:

	Principal payment schedule
Fiscal Year:	
2023	$ 43,702
2024	43,349
2025	56,917
2026	9,254
2027	6,487
2028 and beyond	973
	$ 160,682

As of September 30, 2022, notes payable are unsecured with the exception of $7,004 in loans that have been collateralized by the assets of individual subsidiaries and VFI.

VFI has two available unused lines of credit of $17M as of September 30, 2022. The $10M line of credit is limited for use in responding to specific climate events or natural disasters in certain countries where the Organization works and the $7M credit line is to address liquidity needs for the organization and its MFI. At September 30, 2021, VFI had one available unused lines of credits totaling $10M.

(8) Net assets Without Donor Restrictions

Changes in net assets without donor restrictions for the year ended September 30, 2022 and 2021 are as follows:

	Total	Controlling interest	Non-controlling interest
Balance, October 1, 2021	$ 143,341	138,560	4,781
Transfers to noncontrolling interest	—	(471)	471
Deficiency of revenues over expenses	(17,281)	(16,168)	(1,113)
Net assets released from restriction	4,331	4,331	—
Change in net assets	(12,950)	(12,308)	(642)
Balance, September 30, 2022	$ 130,391	126,252	4,139

(Continued)

(In thousands)

		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	—
Change in net assets		(27,322)	(27,042)	(280)
Balance, September 30, 2021	$	143,341	138,560	4,781

As of September 30, 2022 and 2021, non-controlling interest was $4,139 and $4,781. Non-controlling interest is primarily concentrated in VF Tanzania (66% ownership by VFI) and VF DRC (80% 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 delivers the services. All other expenses are designated as supporting services.

The following are the program and support expenses for September 30, 2022 and 2021:

		2022			2021		
		Program	Supporting	Total	Program	Supporting	Total
Interest, fees, and commission expense	$	18,528	—	18,528	20,352	—	20,352
Provision for loan losses		4,583	—	4,583	27,982	—	27,982
Tax expense		4,274	—	4,274	2,192	—	2,192
Salaries and benefits		47,004	9,042	56,046	43,500	8,625	52,125
Supplies, copying, and printing		3,087	136	3,223	1,568	406	1,974
Professional fees		5,070	1,245	6,315	3,815	952	4,767
Communication expense		2,228	36	2,264	3,181	38	3,219
Occupancy expense		4,650	154	4,804	4,461	280	4,741
Travel and transportation		4,106	531	4,637	3,186	121	3,307
Depreciation		3,674	—	3,674	3,533	—	3,533
Training and technical assistance		531	55	586	286	30	316
Other operating expenses		10,754	685	11,439	9,524	598	10,122
Total	$	108,489	11,884	120,373	123,580	11,050	134,630

(In thousands)

(10) Contributions

Contributions for the years ended September 30, 2022 and 2021 totaled $11,851 and $12,831, respectively.

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

		2022	2021
Unrestricted:			
World Vision United States	$	7,073	6,799
World Vision Rwanda		487	52
World Vision Hong Kong		142	—
World Vision Singapore		102	10
World Vision Australia		82	(27)
World Vision Senegal		80	54
World Vision Netherlands		2	—
World Vision United Kingdom		—	845
World Vision Myanmar		—	300
World Vision DR Congo		—	20
World Vision Sri Lanka		—	12
Non-affiliated Agencies		1,860	897
Total unrestricted		9,828	8,962
Restricted:			
World Vision United States		2,030	1,347
World Vision Australia		(110)	12
World Vision Canada		—	1,733
World Vision Austria		—	141
Non-affiliated Aid Agencies:			
Grameen		—	299
Livelihoods and Food Security Trust Fund (LIFT)		—	279
Others		103	58
Total restricted		2,023	3,869
Total contributions	$	11,851	12,831

(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, 2022 and 2021, VFI had accounts payable to World Vision totaling $754 and $4,106 respectively. These amounts were for operating expenses paid by World Vision on behalf of VFI.

(In thousands)

(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, 2022, the value of the guaranteed loan portfolio totaled $797 of which $758 corresponds to total portfolio amount and the rest of $39 corresponds to available deposit, as it represents cumulating portfolio repayments, after VF Serbia stopped disbursement activities in October 2021 based on VisionFund International decision. These loans are included on the consolidated statements of financial position. As of September 30, 2022 and 2021, the value of deposits held by VF Serbia as security for these loans totaled $758 and $2,978, 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, 2022, 1.04% of the guaranteed loan portfolio was over 90 days past due. The average loan term of the guaranteed loans is 23 months.

(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 21 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, 2022 and 2021, 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, 2022 and 2022.

		2022	2021
Current financial assets at year end:			
Cash, cash equivalents and restricted cash	$	26,685	24,852
Total cash, cash equivalents and restricted cash		26,685	24,852
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	$	26,685	24,273

(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, 2022 and 2021.

		2022	2021
Current financial assets at year end:			
Cash, cash equivalents and restricted cash	$	29,715	42,367
Investments		9,471	8,818
Restricted investments		2,901	2,978
Total cash and investments		42,087	54,163
Less restricted funds not available to be used within one year:			
Restricted investments		2,901	2,978
Total current financial assets available to meet cash needs for general expenditures within one year	$	39,186	51,185

(14) Assets and Liabilities Held for Sale (Armenia)

The board of VFI has approved the sale of SEF International Universal Credit Organization, its MFI in Armenia, during the board meeting in March 2022. This disposal focuses the network on areas which result in the most impact via the largest number of children being reached and therefore align with the Organization's strategic objectives.

In November 2022, an agreement was therefore entered into with an acquirer for the sale of SEF International Universal Credit Organization.

The sale was completed in January 2023. SEF International Universal Credit Organization LLC is therefore disclosed as assets and liabilities held for sale and continuing operations at September 30, 2022. There were no held for sale assets or liabilities as at September 30, 2021.

(In thousands)

The balances relating to SEF International Universal Credit Organization LLC as of September 2022 are as follows:

		2022
Assets classified as held for sale:		
Cash, cash equivalents and restricted cash	$	2,396
Investments		1,500
Interest receivable		1,023
Accounts receivable		234
Loans to microfinance institution clients, net of allowance for loan losses of $837		19,329
Expected impairment loss on sale		(693)
Property, plant and equipment, net		1,576
Other assets		23
Total	$	25,388
Liabilities classified as held for sale:		
Accounts payable and accrued expenses	$	58
Interest payable		142
Notes payable		17,947
Other liabilities		1,148
Total	$	19,295

(15) Impairment Loss In Value of Subsidiary

During the year ended September 30, 2022, the Organization recognized an impairment loss of $693 related to the sale of SEF International Universal Credit Organization LLC. This impairment loss was calculated as the excess of the carrying value of SEF International Universal Credit Organization LLC over the realizable fair value from its sale less the costs of that sale.

Furthermore, during the year ended September 30, 2022, the Organization recognized an impairment loss of $269 in relation to EDPYME Credivision S.A., the MFI in Peru. This loss represents the difference between the carrying value of certain of EDPYME Credivision S.A.'s assets over their expected realizable value on sale of these assets.

(16) Leases

The Organization has commitments related to operating leases for building facilities, equipment and land at September 30, 2022 and 2021.

(In thousands)

Future minimum lease payments for the Organization with remaining terms of one year or more at September 30, 2022 are as follows:

Fiscal year:		
2023	$	2,446
2024		1,581
2025		930
2026		540
2027		264
2028 and thereafter		81
	$	5,842

Lease and rent expense for the years ended September 30, 2022 and 2021 was $2,616 and $2,615, respectively.

(17) Subsequent Events

Subsequent events have been evaluated from September 30, 2022 through April 26, 2023, which is the date these consolidated financial statements were available to be issued.

In January 2023, the sale of SEF International Universal Credit Organization was completed (Note 14). The Organization sold its MFI in Armenia for cash. The Organization recognized a loss on sale of subsidiary for this totaling $686.

In October 2022, as part of a planned liquidation, the license of EDPYME Credivision S.A. was cancelled.