VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Directors
VisionFund International and Subsidiaries:

We have audited the accompanying consolidated statements of financial position of VisionFund International and subsidiaries (a wholly owned subsidiary of World Vision International) as of September 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of VisionFund International's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of VF Azercredit, a wholly owned subsidiary, which statements reflect total assets constituting 12% and total revenues constituting 16%, of the related consolidated totals. 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 VisionFund International, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VisionFund International's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VisionFund International and subsidiaries as of September 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 29, 2012

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

September 30, 2011 and 2010

Assets		**2011**	**2010**
Cash and cash equivalents	$	21,138,621	19,365,685
Investments (note 3)		19,826,151	12,778,480
Loans to Microfinance Institutions, net of allowance for loan losses of $1,435,334 and $1,343,713 as of September 30, 2011 and 2010, respectively (note 5)		44,141,603	33,666,461
Loans to Microfinance Institution clients, net of allowance for loan losses of $4,700,138 and $7,736,516 as of September 30, 2011 and 2010, respectively (note 5)		165,489,472	142,288,738
Interest receivable		3,972,075	3,764,509
Accounts receivable		1,619,419	546,500
Restricted investments (notes 3 and 13)		2,400,000	2,400,000
Property, plant, and equipment, net (note 6)		3,136,617	2,973,146
Unrealized gain on foreign exchange contracts		637,319	—
Other assets		4,635,904	4,269,204
Investments in affiliates (note 7)		1,117,962	1,117,962
Total assets	$	268,115,143	223,170,685
Liabilities			
Accounts payable and accrued expenses	$	13,677,133	5,220,154
Notes payable (note 8)		168,219,660	142,240,330
Interest payable		2,073,270	1,862,026
Deferred income		362,659	635,899
Unrealized loss on foreign exchange contracts		—	263,006
Other liabilities		3,549,039	1,800,941
Total liabilities		187,881,761	152,022,356
Net assets			
Unrestricted net assets		77,833,382	68,748,329
Temporarily restricted net assets		2,400,000	2,400,000
Total net assets		80,233,382	71,148,329
Total liabilities and net assets	$	268,115,143	223,170,685

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended September 30, 2011 and 2010

	2011	2010
Unrestricted net assets:		
Operating revenue:		
Interest, fees, and commission revenue	$ 60,105,570	50,296,462
Interest, fees, and commission expense	(15,791,463)	(10,972,651)
Net financial income	44,314,107	39,323,811
Provision for loan losses (note 5)	(3,379,369)	(11,522,141)
Funds recovered from loans written off	2,358,069	1,551,159
Net financial income after provision for loan losses	43,292,807	29,352,829
Other operating income	810,709	1,037,148
Total revenue from operations	44,103,516	30,389,977
Operating expense:		
Salaries and benefits	23,608,577	18,728,984
Supplies, copying, and printing	1,138,367	852,173
Professional fees	3,692,297	2,863,453
Communication expense	857,872	788,791
Occupancy expense	2,856,158	2,346,020
Travel and transportation	3,490,223	2,815,034
Depreciation	1,065,842	970,274
Training and technical assistance	501,398	311,554
Other operating expenses	2,283,163	3,299,773
Total operating expenses	39,493,897	32,976,056
Operating income (loss) before taxes and contributions	4,609,619	(2,586,079)
Tax expense	2,274,103	1,084,078
Net operating income (loss) before contributions	2,335,516	(3,670,157)
Contributions for operations (note 10)	2,372,000	3,233,865
Net operating income (loss)	4,707,516	(436,292)
Other nonoperating changes in unrestricted net assets:		
Unrestricted contributions (note 10)	9,494,078	13,390,495
Amounts granted to affiliated microfinance institutions	(4,839,191)	(3,313,597)
Contributed net assets (note 11)	—	1,350,439
Foreign currency adjustments	(277,350)	(4,278,971)
Total change in unrestricted net assets	9,085,053	6,712,074
Net assets, beginning of year	71,148,329	64,436,255
Net assets, end of year	$ 80,233,382	71,148,329

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 9,085,053	6,712,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash net assets from contributed entity	—	(1,250,535)
Noncash contributions	—	(8,306,283)
Depreciation expense	1,065,842	970,274
Provision for loan losses	3,379,369	11,522,141
Foreign currency revaluation	(1,013,780)	1,324,325
Loss (gain) on forward contracts	(900,325)	26,640
Loss on disposal of equipment	349,278	24,142
Change in assets and liabilities:		
Interest receivable	(207,566)	(236,102)
Accounts receivable	(1,072,919)	1,128,601
Other assets	(366,700)	554,164
Accounts payable and accrued expenses	8,456,979	1,387,349
Interest payable	211,244	(186,340)
Deferred income	(273,240)	356,053
Other liabilities	1,748,098	722,551
Net cash provided by operating activities	20,461,333	14,749,054
Cash flows from investing activities:		
Purchase of equipment	(1,504,946)	(1,146,102)
Distribution of loans	(219,919,448)	(170,334,288)
Proceeds from loan portfolio repayment	184,722,257	152,187,547
Purchases of investments	(41,832,319)	(34,612,843)
Proceeds from sales of investments	34,784,648	37,792,695
Net cash used in investing activities	(43,749,808)	(16,112,991)
Cash flows from financing activities:		
Proceeds from notes payable	87,251,523	40,025,254
Payments on notes payable	(62,190,112)	(45,081,273)
Net cash provided by (used in) financing activities	25,061,411	(5,056,019)
Net increase (decrease) in cash and cash equivalents	1,772,936	(6,419,956)
Cash and cash equivalents, beginning of year	19,365,685	25,785,641
Cash and cash equivalents, end of year	$ 21,138,621	19,365,685
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 12,229,849	11,137,506
Cash paid during the year for taxes	1,043,313	767,715

See accompanying notes to consolidated financial statements.

(1) Organization and Principal Activities

VisionFund International (VFI) and its subsidiaries (collectively, the Organization) is a wholly owned and controlled subsidiary of World Vision International (World Vision), operating under World Vision's mission and values of being a nonprofit organization of Christians whose mission is to follow the Lord and Savior Jesus Christ in working with the poor and the oppressed to promote human transformation, seek justice, and bear witness to the good news of the Kingdom of God. World Vision pursues this through transformational development, emergency relief, promotion of justice, partnerships with churches, public awareness, and witness to Jesus Christ.

To allow for more sustainable development, World Vision began the micro-enterprise development loan program as embodied in the local microfinance institutions (MFIs). These World Vision affiliated MFIs provide small loans to individuals and groups who lack access to normal banking facilities. Funding for the MFIs' financial services activities has generally come from World Vision support entities.

VFI was established for the purpose of coordinating and funding World Vision's affiliated MFIs. To better accomplish its mission, VFI plans to eventually own or control all of World Vision's affiliated MFIs, while coordinating and disbursing all funding for microfinance received from World Vision's support entities. Currently, these consolidated financial statements include VFI's interests in the following entities:

(1) VisionFund Cambodia Ltd. (VF Cambodia) – a limited liability shareholding company established in the country of Cambodia, 99.99% owned.

(2) VisionFund Credo Foundation (VF Credo) – a nonprofit foundation established in the country of Georgia, which owns:

   a. VisionFund Caucasus LLC (VF Caucasus) – a limited liability company established in the country of Georgia, 71.33% owned by VF Credo, 28.67% owned directly by VFI; and

   b. Microfinance Organization Credo LLC (MFO Credo) – a limited liability company established in the country of Georgia, 100% owned by VF Caucasus.

(3) VisionFund AgroInvest LLC (VF Holding) – a limited liability holding company established in the country of Montenegro, which owns:

   a. AgroInvest Fond LLC (VF Serbia) – a limited liability company established in the country of Serbia, 100% owned;

   b. AgroInvest VFI LLC (VF Montenegro) – a limited liability company established in the country of Montenegro, 100% owned;

   c. AgroInvest Foundation Serbia (NGO Serbia) – a nonprofit foundation established in the country of Serbia, 100% owned; and

   d. AgroInvest Foundation Montenegro (NGO Montenegro) – a nonprofit foundation established in the country of Montenegro, 100% owned.

(4) VisionFund Azercredit LLC (VF Azercredit) – a limited liability company established in the country of Azerbaijan, 100% owned.

(5) SEF International Universal Credit Organization LLC (SEF) – a limited liability company established in the country of Armenia, 100% owned (note 11).

(6) VisionFund Albania LLC (VF Albania) – a limited liability company established in the country of Albania, 100% owned (note 11).

The primary activity of the subsidiaries is to provide commercially oriented microfinance services aiming to alleviate poverty and stimulate the creation of employment opportunities for the poor 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 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:

Unrestricted Net Assets – Unrestricted net assets represent those resources of the Organization that are not subject to donor-imposed restrictions. The only limits on unrestricted net assets are broad limits that are consistent with the nature of the Organization and the purposes specified in its articles of incorporation or bylaws.

Temporarily Restricted Net Assets – Temporarily restricted net assets 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.

Expenses are reported as decreases in unrestricted net assets. 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 an accrual basis over the life of the asset based on a constant effective interest rate. Fees and commissions are recognized as income using the effective interest method.

Contributions – Contributions and unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized as contributions and receivables when the conditions are substantially met. Contributions have been distinguished into the following categories in the accompanying consolidated statements of activities:

Contributions for operations are contributions from World Vision and affiliated support entities specifically for the operations of the Organization.

Unrestricted and temporarily restricted contributions from affiliated support entities and nonaffiliated aid agencies are for the purpose of funding microfinance work in various affiliated MFIs as well as increasing the pool of funds made available to the poor in the Organization's area of operations and acquiring fixed assets for the Organization.

Contributed Net Assets – Contributed net assets result from contributions or transfers of ownership of World Vision affiliated MFIs to the Organization. The net asset contribution is recorded at book value on the date of acquisition or transfer. The Organization reflects the net carrying value of these contributed MFIs as nonoperating increases to net assets in the accompanying consolidated statements of activities.

(d) Amounts Granted to Affiliated MFIs

The Organization contributes funds to affiliated MFIs for the purpose of funding 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 takes the Organization to various foreign regions. Included in the accompanying consolidated statements of financial position are the net assets of each entity, which are located in the following countries with the following net asset balances, as of September 30, 2011 and 2010:

Entity	Country	2011	2010
VFI	United States	$ 31,971,322	33,014,298
VF Cambodia	Cambodia	11,519,435	8,487,758
VF Credo	Georgia	9,653,017	5,640,440
VF Holding	Montenegro	9,836,008	10,983,146
VF Serbia	Serbia	4,854,440	3,192,658
VF Montenegro	Montenegro	1,872,725	1,860,920
VF Azercredit	Azerbaijan	6,598,880	4,320,655
SEF	Armenia	2,890,376	2,278,224
VF Albania	Albania	1,037,179	1,370,230
Total		$ 80,233,382	71,148,329

(f) Tax Status

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

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes*, and establishes for all entities, including pass-through entities, minimum threshold for financial statement recognition of the benefit of position 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, 2011 and 2010.

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

(g) Cash and Cash Equivalents

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

(h) Investments

Investments are recorded at fair value and are managed by World Vision. Investments are held until funds are needed for lending or other funding needs. Gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

(i) Loan Portfolio

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

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

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

(Continued)

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.

(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 an expense as incurred.

Fully depreciated property, plant, and equipment are retained on the consolidated balance sheet until disposed of. When assets are disposed or sold, the related costs and accumulated depreciation are removed from the accounts and any gain or loss upon disposition is included in the accompanying consolidated statements of activities.

(k) Foreign Currency Translation Adjustments

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 consolidated statements of cash flows are translated using average exchange rates during the respective periods. The resulting translation adjustments are recorded as nonoperating changes in unrestricted net assets in the accompanying consolidated statements of activities.

(l) Foreign Exchange Currency Contracts

The Organization has a number of loans denominated in foreign currency. In order to protect against fluctuations in such currencies, the Organization has entered into certain foreign currency forward contracts, which provide for the future exchange of funds at agreed-upon rates.

At September 30, 2011 and 2010, the Organization had in place foreign currency contracts totaling $11,965,363 and $9,389,274, respectively. At September 30, 2011 and 2010, the Organization recorded assets of $637,319 and liabilities of $263,006, respectively, associated with foreign exchange currency contracts. The resulting losses and gains are recorded as nonoperating changes in unrestricted net assets in the accompanying consolidated statements of activities.

(m) Deferred Income

Deferred income represents loan origination or 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

Investments securities are exposed to various risks such as interest rate, market, 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 of balances held by World Vision through the World Vision Treasury Center (WVTC), an internal investment pool, as well as investments held at banks for short-term lending and funding needs. Investments in the WVTC include mutual funds, time deposits, and cash equivalents. Separate accounting is maintained as to the amounts allocable to various World Vision related entities. As of September 30, 2011 and 2010, the fair value of investments is as follows:

		2011	**2010**
WVTC investment pool	$	5,350,803	1,294,191
WVTC investment pool (restricted, note 12)		2,400,000	2,400,000
Foreign bank time deposits		14,475,348	11,484,289
Total investments	$	22,226,151	15,178,480

(4) Fair Value Measurements

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

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

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

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at September 30, 2011:

		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:				
Cash and cash equivalents	$	21,138,621	21,138,621	—
Investments:				
WVTC investment pool (note 3):				
Money market fund		6,508,078	6,508,078	—
U.S. government agency bonds		715,729	715,729	—
Corporate bonds		392,884	392,884	—
Foreign currency time deposits		134,112		134,112
Foreign bank time deposits:				
Montenegro		7,996,105	—	7,996,105
Georgia		5,709,243	—	5,709,243
Cambodia		770,000	—	770,000
Total investments	$	22,226,151	7,616,691	14,609,460
Foreign exchange currency contracts	$	637,319	—	637,319

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at September 30, 2010:

		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:				
Cash and cash equivalents	$	19,365,685	19,365,685	—
Investments:				
WVTC investment pool (note 3):				
Money market fund		2,058,732	2,058,732	—
Mutual funds:				
U.S. government securities		647,492	647,492	—
U.S. Treasury		665,568	665,568	—
U.S. government agency bonds		87,470	87,470	—
Foreign currency time deposits		234,929	—	234,929
Foreign bank time deposits:				
Montenegro		6,805,498	—	6,805,498
Georgia		4,178,791	—	4,178,791
Cambodia		500,000	—	500,000
Total investments	$	15,178,480	3,459,262	11,719,218
Liabilities:				
Foreign exchange currency contracts	$	263,006	—	263,006

For the valuation of foreign currency time deposits and foreign bank time deposits at September 30, 2011, the Organization used significant other observable inputs, particularly pricing for similar investments with the same maturities (Level 2).

The fair value of assets and liabilities related to foreign exchange currency contracts is determined through the use of models or other valuation methodologies. Accordingly, these contracts are classified within Level 2.

(5) Loan Portfolio

(a) Loans to Affiliated Microfinance Institutions

Amounts in loans to MFIs represent funds lent by the Organization to affiliated, independent (unconsolidated) MFIs for further on-lending to micro-entrepreneurs. As of September 30, 2011 and 2010, these loans totaled $45,576,937 and $35,010,174, respectively. Interest rates for loans to MFIs by the Organization range from 0% to 17%, depending on the current U.S. interest rates and the currency of the loan. As of September 30, 2011, these loans are scheduled for repayment as follows:

		Principal repayment schedule
Year:		
2012	$	16,567,861
2013		18,437,057
2014		7,032,107
2015		3,396,822
2016		143,090
		45,576,937
Less allowance for loan loss		(1,435,334)
Loans to affiliated MFIs, net	$	44,141,603

Changes in the allowance for loan losses for the years ended September 30, 2011 and 2010 are as follows:

Allowance for loan loss		**2011**	**2010**
Beginning of year	$	1,343,713	1,171,873
Loans written off		(26,663)	(153,000)
Provision for loan loss		118,284	324,840
End of year	$	1,435,334	1,343,713

(b) Loans to Microfinance Institution Clients

Amounts in loans to MFI clients represent funds lent to the entrepreneurial poor in the subsidiaries' respective areas of operation. For the years ended September 30, 2011 and 2010, the Organization's loans to MFI clients totaled $170,189,610 and $150,025,254, respectively. The allowance for loan loss as of September 30, 2011 and 2010 was $4,700,138 and $7,736,516, 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 $390 to $4,200. These loans have terms commonly ranging from 5 to 72 months, their weighted average maturities being approximately 22 months. Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. The average interest rates by country are as follows:

Subsidiary	Operations	2011	2010
VF Cambodia	Cambodia	31%	31%
VF Credo	Georgia	32	34
VF Serbia	Serbia	40	37
VF Montenegro	Montenegro	21	24
VF Azercredit	Azerbaijan	38	37
SEF	Armenia	21	22
VF Albania	Albania	26	25

Changes in the allowance for loan losses for the years ended September 30, 2011 and 2010 are as follows:

Allowance for loan loss		2011	2010
Beginning of year	$	7,736,516	5,834,552
Loans written off		(6,314,001)	(9,085,064)
From contributed entity		—	60,628
Provision for loan loss		3,261,085	11,197,301
Currency valuation change		16,538	(270,901)
End of year	$	4,700,138	7,736,516

(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, 2011 and 2010:

		2011	2010
Land and buildings	$	832,889	700,000
Equipment		1,570,646	960,542
Vehicles		1,920,775	2,310,022
Computers and software		2,153,205	1,809,394
		6,477,515	5,779,958
Total accumulated depreciation		(3,340,898)	(2,806,812)
Total	$	3,136,617	2,973,146

(7) Investments in Affiliates

Investments in affiliates represent the Organization's equity ownership in the following World Vision controlled MFIs:

(1) Vision Finance Company, Rwanda – For the years ended September 30, 2011 and 2010, the Organization owned preferred, nonvoting shares totaling $781,412. These investments are recorded at cost.

(2) FUNED VisionFund OPDF, Honduras – For the years ended September 30, 2011 and 2010, the Organization owned 17% equity totaling $336,550. These investments are recorded at cost.

(8) 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, 2011, of the $168,219,660, $22,800,000 was lent to the Organization by World Vision. As of September 30, 2010, of the $142,240,330, $11,800,000 was lent to the Organization by World Vision. The following are the interest rates on these loans:

Number of loans		Total loan value	Interest rates
18	$	38,254,995	0% to 5%
101		109,123,960	5.1% to 10%
20		18,248,870	10.1% to 15%
4		2,591,835	over 15%
	$	168,219,660	

These loans are scheduled for repayment as follows:

		Principal payment schedule
Fiscal Year:		
2012	$	47,300,511
2013		73,122,325
2014		38,310,709
2015		4,153,258
2016		1,399,344
2017 and beyond		3,933,513
	$	168,219,660

As of September 30, 2011, notes payable are unsecured with the exception of the following agreements where collateral has been provided as a first priority guarantee:

Lender		Outstanding loan balance	Guarantor		Assets guaranteed in U.S. dollars equivalent
TBC Bank	$	3,564,823	VF Credo	$	3,564,823
Komercijalna Banka AD, Belgrade		1,480,251	VF Serbia		1,497,617
Foreign Trade Bank		514,202	VF Cambodia		514,202
Armenian Development Bank		300,000	SEF		315,000
HSBC Armenia		125,521	SEF		138,073
Credits leasing		92,144	VF Albania		115,157
Republic of Armenia – Rural Finance Facility		57,187	SEF		57,187
	$	6,134,128		$	6,202,059

(9) Program and Supporting Expenses

To help users assess the Organization’s service efforts, operating expenses are reported into functional categories of program services and supporting services. Program services are expenses incurred in the course of the Organization’s primary activities of coordinating and funding MFIs and providing commercially oriented microfinance services to alleviate poverty. As the Organization does not engage in fund-raising activities, all other expenses are designated as supporting services.

For the year ended September 30, 2011, of the $65,778,023 in total expenses (excluding foreign currency adjustments), $57,423,256 was incurred in the course of program services and $8,354,767 was incurred in the course of supporting services by the Organization. For the year ended September 30, 2010, of the $59,868,523 in total expenses (excluding foreign currency adjustments), $54,843,577 was incurred in the course of program services and $5,024,946 was incurred in the course of supporting services by the Organization.

(10) Contributions

Contributions, excluding contributed net assets, for the years ended September 30, 2011 and 2010 totaled $11,866,078 and $16,624,360, respectively. Contributions directed for the operations of the Organization were from the following:

		2011	2010
World Vision International	$	2,372,000	3,233,865

World Vision provides support to the Organization by making available personnel, space, and financial and administrative support. Financial support is included in contributions for operations and the associated

(Continued)

expense is included in operating expenses. The total of this support for the years ended September 30, 2011 and 2010 was $2,372,000 and $3,233,865, respectively.

The total contributions classified as nonoperating changes in net assets were from the following:

		2011	2010
Unrestricted:			
World Vision United States	$	4,485,667	2,738,362
World Vision Hong Kong		3,187,197	—
World Vision International		440,891	8,306,283
World Vision Canada		298,000	220,000
World Vision New Zealand		194,777	342,785
World Vision Singapore		150,000	150,000
World Vision United Kingdom		118,615	300,663
World Vision Japan		80,000	1,128,014
World Vision Albania		73,535	—
World Vision Australia		60,000	92,783
World Vision Cambodia		6,310	—
World Vision Austria		—	20,786
Nonaffiliated Aid Agencies		399,086	90,819
Total unrestricted	$	9,494,078	13,390,495

During the year ended September 30, 2010, World Vision International transferred and assigned to the Organization the legal rights to a loan receivable from an affiliated MFI in the country of Bosnia. The value of the contribution was $8,306,283.

(11) Contributed Net Assets

Assets and liabilities, net from contributed entities, are recorded as contributed net assets in the accompanying consolidated statements of activities.

During the year ended September 30, 2010, 100% ownership in VF Albania was contributed to the Organization. The total contributed net assets recognized were $1,350,439.

(12) Other Liabilities and Contingencies

On August 30, 2006, the Organization entered into an agreement, collateralizing 110% of a loan from a third-party lender to an affiliated MFI in India to support micro-economic development for the victims of the tsunami in India up to the amount of $2,400,000. The balance of the collateralized loan as of September 30, 2011 and 2010 was $519,981 and $485,280, respectively.

(13) Related-Party Transactions

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

As of September 30, 2011 and 2010, the Organization has accounts payable to World Vision totaling $8,217,231 and $2,385,854, respectively. These amounts were for operating expenses paid by World Vision on behalf of the Organization.

As of September 30, 2011 and 2010, the Organization had available lines of credit from World Vision totaling $25,000,000 and $20,000,000, respectively. As of September 30, 2011 and 2010, the Organization has drawn $22,800,000 and $11,800,000, respectively, on these lines of credit (note 8). The lines of credit bear interest at rates ranging from 2.15% to 2.42%. The lines of credit are unsecured and mature on June 30, 2013.

The Organization holds two loans from World Vision Germany totaling $1,673,375, which bear interest rates of 2.50%. These loans mature on June 30, 2012. The Organization holds a loan from World Vision Myanmar for $500,000, which bears interest at a rate of 6.5% and matures on September 22, 2012.

During the year ended September 30, 2006, World Vision contributed $2,400,000 to the Organization as support for micro-economic development for the victims of the 2004 tsunami in India. The funds were used to collateralize loans between a third-party lender and an affiliated MFI in India (note 12).

(14) Subsequent Events

In accordance with ASC Topic 855, *Subsequent Events*, the Organization evaluated events or transactions that occurred subsequent to the balance sheet date through February 29, 2012 (the date the consolidated financial statements were available to be issued) for potential recognition or disclosure in the consolidated financial statements.

In January 2012, the Organization entered into an agreement to sell a minority interest in the ownership of VF Azercredit. Upon completion of the sale agreement, the Organization will retain 52% ownership of VF Azercredit. The Organization expects to receive proceeds from sale totaling €5,121,925 (or approximately $6,600,000). The transaction is subject to customary closing conditions, including anti-monopoly clearance by the Azerbaijan Ministry for Economic Development.