VisionFund INTERNATIONAL | World Vision

FUNDING BRIGHTER FUTURES

ANNUAL REPORT 2014

Yadashi uses her loans to grow her cattle business. This means her daughter Ayantu (left), can now go to school and follow her dreams.

Children achieve **brighter futures**...

when parents are **empowered**.

In **TWO** thousand and fourteen, we lent $906 million

Each year we impact over **THREE** and a half million children

Our Vision

Our vision for every child, life in all its fullness;
Our prayer for every heart, the will to make it so

Our Mission

We believe in brighter futures for children where they can experience the love of Christ, building lives free of need and full of promise.

We empower families to create income and jobs.
Our financial services enable impoverished households to increase their incomes. We train clients to grow successful businesses using their income to support their children and families.

We unlock economic potential for communities to thrive.
Working together as part of World Vision – a Christian relief, development and advocacy organisation – we enable communities to increase economic activity, access clean water, education and healthcare, benefit from improvements to nutrition, and provide the foundations for local economies to flourish.

We are VisionFund – *Financial Empowerment from World Vision.*

SUGUMARAN

See our mission in action through the life of a Sri Lankan father in Two Hands
www.watchtwohands.com

Rekha has a new hope and sees things clearer now that her family can afford electricity in rural India.

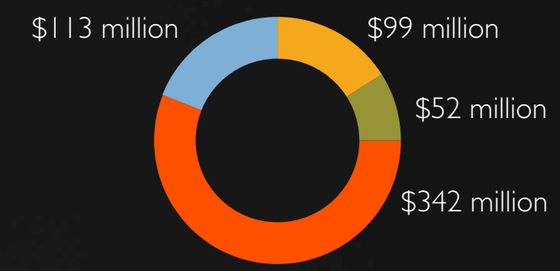
We work in **FOUR** regions around the world

In 2014, we designed a new **FIVE** year strategy

Megersa looks out towards his crops which have increased in scale, quality and price through the help of World Vision and VisionFund.

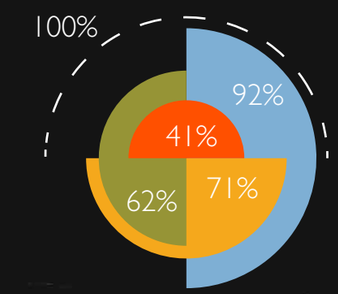
KEY **HIGHLIGHTS**

Portfolio



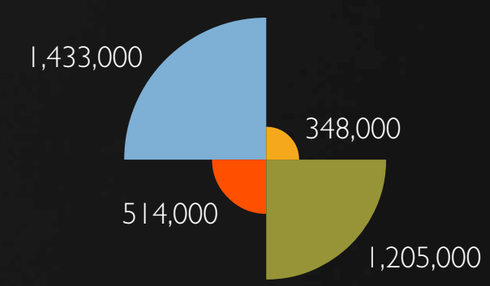
Total: $606 million

Female Borrowers



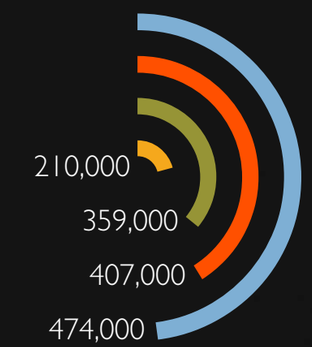
Average: 68%

Children Impacted



Total: 3,500,000

Loans Disbursed



Total: 1,450,000

Latin America & Caribbean
Middle East & Eastern Europe
Africa
Asia

**Facts and figures as of 30 September 2014 and reference fiscal year 2014 data in US dollars.*

— **SIX** of our MFIs have received a S.T.A.R recognition by MIX

The VisionFund Network is made up of over **SEVEN** thousand staff

WE CAN DO **MORE**

OUR STRATEGY

Learn how we plan to impact the lives of 9 million children a year by 2019 in this short video at www.vflink.it/strategyfilm

A group of men work on their rural rice farm in the Philippines.

Today we help lift 3.5 million children around the world out of poverty. However, we believe we can do more.

Through a new five year strategy – Building Futures Together – we have pledged to build a brighter future for 9 million children a year by 2019.

We will **grow** our impact in rural areas through the support and financial empowerment of parents and carers. We will **increase** the resilience and livelihoods of our clients by providing creative, flexible and well-structured solutions. We will **broaden** our partnerships and **deepen** our engagement with other development sectors. We will touch the lives of children **beyond** those of our own clients by **raising** standards and influencing our peers. We will **develop** a strong funding base to enable us to confidently deliver our mission.

BRIGHTER **FUTURES**

The Lord will guide you always; he will satisfy your needs in a sun-scorched land and will strengthen your frame. You will be like a well-watered garden, like a spring whose waters never fail. Isaiah 58:11

BUILDING **IMPACT**

through growing our MFIs in size, capacity and diverse financial services.

IMPROVING **LIVELIHOODS**

of farmers in rural areas that other providers find too costly to serve.

INTEGRATING **SERVICES**

in areas such as water and sanitation, education and emergency response.

VOICE OF **INFLUENCE**

through recognition and respect of peers, donors and regulators.

STRONG **FUNDING**

that includes mass market, major giving, external grants and debt.

Sixty **EIGHT** per cent of VisionFund clients are women

We plan to build brighter futures for **NINE** million children

BUILDING **IMPACT**

Tea is one of the biggest exports for Sri Lanka. VisionFund provides small loans to tea growers in places like Tamil.

We work in **TEN** countries across Africa

DO MORE TO REACH MORE

STRATEGIC AIM:
We will scale up child impact through major MFI growth in size and capacity.

In other words, we'll do more to give more. Our core business is providing small loans that empower women and men to build businesses and secure an income for their families. By reducing operational costs while increasing a range of financial services, we can serve more clients and reach more children.

OUR WORK IN SRI LANKA:
"Microfinance is important for women like me who grew up being dependent on men. Because of my loan, I've been able to earn as much as a man running a business and now I am an equal strength in the family. And if a woman is dedicated and hardworking, the husband also changes accordingly.

Together my husband and I have worked really hard to build this business, which our children will inherit. They will not have to work as hard as we did or suffer in the same way. The business will be there for them to take over – if they want to."
Gheeta, business owner, Sri Lanka

68%
of our **clients** are **women**

IMPROVING **LIVELIHOODS**

John harvests his rice in rural Tanzania. His farm has been vastly improved by World Vision and VisionFund's focus on building resilience and livelihoods.

A **COMMITMENT** TO REACH

STRATEGIC AIM:
We will improve the incomes of farmers and those who rely on the land.

Rural communities are at the core of our global footprint whereas other financial providers find them too costly to serve. Increasing famers' earnings has the potential to drive community change and see whole villages lifted out of poverty. We'll expand our commitment to fund smallholder farmers, working with partners to support, train and provide expertise in water and tree management and risk reduction. This will enable farmers to become more resilient, achieve a stronger harvest and attract a better price for their crops.

OUR WORK IN ZAMBIA:
"In 2014, VisionFund Zambia began work in rural areas alongside World Vision in order to support small-holder farming. By helping to finance livestock, crops and equipment, we've helped more than 1,200 farmers in three areas increase the quantity and quality of their produce.

The response from farmers has been very positive, with more people asking for this service in rural areas where farming is a major source of livelihoods. VisionFund Zambia is also working with Zambia State Insurance Corporation (ZSIC) to provide agricultural insurance, which protects crops against calamities such as drought, floods and disease. Our resilience and livelihoods work is key to providing sustainable food security for families in rural areas of Zambia."
Derick Ndimbwa, Integration and Social Performance Officer, VisionFund Zambia

69%
of our **clients** live in **rural communities**

INTEGRATING **SERVICES**

Dulag, Philippines was one of the hardest hit areas when Typhoon Haiyan came through. Many of the business here have recovered through the help of VisionFund recovery loans.

A DEEPER **IMPACT**

STRATEGIC AIM:

We will deliver integrated services with other parts of World Vision for increased scale of impact.

We see huge impact potential in embedding microfinance into other poverty interventions. The challenge is to develop financial models and services that support and enable World Vision's water and sanitation, resilience and livelihoods and education programmes. We're also working to redefine the role of microfinance in disasters. A proactive approach to recovery lending in the aftermath of a disaster can be transformational for affected communities.

OUR WORK IN THE PHILIPPINES:

"Before Typhoon Haiyan, I earned money through fishing like so many others in the community. And then my boat was completely damaged and I no longer had a livelihood. So I started repairing boats. I have a regular income because of these services that I'm able to offer to VisionFund clients."

Rey, boat maker, Philippines

"The Bangon recovery loan [designed by VisionFund] has helped a lot of people get back their livelihood in fishing. I've been making boats for them to fish. The money I get from making their boats has helped me provide for my family."

Bladdy, boat maker, Philippines

23

of our **MFIs** offer loans that support **water** and sanitation, energy efficiency, education, disaster recovery and **shelter**.

BEING A **VOICE** OF **INFLUENCE**

Josephra's home for her family of eight, doubles as a thriving textile business in Imbabura, Ecuador.

— **SIXTEEN** per cent of people in Sub-Saharan Africa pay bills with their mobile phones

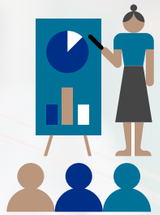
LEVERAGING **OUR STRENGTH**

STRATEGIC AIM:
We will use our voice to impact the lives of many children and families beyond our clients.

The scale, quality and impact of our work will earn the recognition and respect of peers, donors and regulators. We want to leverage this strength to help develop a microfinance industry that serves children, the poor and excluded. By taking a lead role in industry bodies to improve standards and tools, we can significantly improve the livelihoods potential of individuals well beyond our own clients.

OUR WORK INTERNATIONALLY:
"VisionFund is one of ten microfinance organisations that make up the Microfinance CEO Working Group (MCWG). We have a collective mission to support the positive development of the microfinance industry as a whole, so the sector can reach its full potential to bringing financial services to those who have been excluded.

In 2014, our priorities were to begin embedding the principles of client protection, pricing transparency and social performance management into the processes of more than 230 affiliate microfinance organisations. We also worked to better define the concept of responsible microfinance by responding to challenges in the media [about microfinance] and holding various public forums and blogs on over-indebtedness."
Anne Hastings, Executive Director of CEO working group



40 million clients are represented by the **Microfinance CEO Working Group** collectively.

A donor visits with school children in rural Rwanda. The region has seen vast improvements through the work of World Vision and VisionFund.

STRONG **FUNDING**

EIGHTEEN of our MFIs use the PPI to track progress out of poverty

THE PRICE OF **EXPERTISE**

STRATEGIC AIM:
We will develop robust funding sources that enable us to deliver our mission of brighter futures for children.

We will do this by expanding our supporter base into new markets, engaging and inspiring our donors more deeply, with results that demonstrate the scale, innovation and impact of our work, and through excellent stewardship and accountability. We are also extending our strategic offering to include technology, smallholder farmers, financial education, water and sanitation, and disaster prevention and response.

OUR WORK INTERNATIONALLY:
"We received significant donor support in our unique market based approach which is designed to improve the resilience and livelihoods of smallholder farmers in Tanzania, Zambia and Sri Lanka. It combines scaled and relevant financial services with support mechanisms, to increase access to markets and the agricultural value chain, strengthen the water supply through farmer managed natural regeneration, and empowers the farming community. The model is now rolled out to Malawi, Mali, Ethiopia, Myanmar and Cambodia.

We also received two grants to address the vulnerability of clients to climate events. A grant in the Philippines, given by the Asian Development Bank, and in Tanzania, given by World Vision US Innovation Fund, include work with exceptional partners specializing in resilience, insurance, forecasting and risk assessment."
Don Haszczyn, Global Fundraising Director, VisionFund International

17
grant proposals were submitted **totalling**
US $12 million in 2014

Franklin and Soledad walk in their parent's onion fields in the rolling hills of Cayambe, Ecuador.

FROM OUR **LEADERS**

We've conducted client protection self-assessments in over **TWENTY** of our MFIs

A LETTER FROM **OUR LEADERSHIP**

In 2014, over 2.2 billion people were reportedly living on less than US $2 a day.

At VisionFund we empower our clients in these communities to build their resilience and livelihoods, to ensure brighter futures for their children.

We operate in 34 countries across four regions. Collectively, we lend to over 1.1m people, creating and sustaining more than 1.5 million jobs. In the last three years we have achieved our goal to impact 3.5m children by 2015. Last year we also celebrated the milestone of lending to more than one million people at the same time; that is one million clients who were able to grow their businesses and earn enough money to take better care of their families and their communities.

The World Bank reports that 62% of adults worldwide had access to banking services in 2014, up from 51% in 2011, largely due to the explosion of mobile banking in rural Africa. At VisionFund, we have committed to scale up mobile banking technology for our clients, a key focus of our new five-year strategy.

Our new strategy, Building Futures Together, aims to create brighter futures for nine million children a year by 2019, and will provide the impetus from within our industry to impact millions more.

We focus our expertise to create outcomes for children (pages 10-11). We operate in rural areas of greatest poverty, where there is limited financial access (pages 12-13). We are part of a global development organisation, World Vision, and leverage its expertise and scale to empower economic development (pages 14-15).

Our reputation is high and growing, our financial achievements are in the top quartile and our work in the areas of risk management and social performance are leading the industry (pages 16-17); and this year, we published our first social performance report, 'Ensuring Brighter Futures.'

VisionFund's network is one of the most trusted and admired microfinance organisations in the world and our global integration with World Vision is the unique feature in the sector. It is a testament to the excellence of our board, staff and volunteers that our donors are proud to support us and continue to invest in our work. We hope that you will be excited to play a part in bringing brighter futures to nine million children a year by 2019.

KEVIN JENKINS
PRESIDENT AND CEO, WORLD VISION INTERNATIONAL

JON HARTLEY
BOARD CHAIR, VISIONFUND INTERNATIONAL

SCOTT BROWN
PRESIDENT AND CEO, VISIONFUND INTERNATIONAL

MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS

MANAGEMENT REPORT

MANAGING RISK

Managing strategic, financial and operational risks is key to meeting our objectives. We have a Risk Management Framework, which guides staff through measuring and evaluating risk. Our Risk Appetite Statement defines how much risk VFI (VisionFund International) is willing to take on, and we are also rolling out Risk Appetite statements at the MFI (microfinance institution) level so local boards and management can determine their own appropriate level of risk limits. In addition we have Risk Registers, at the VFI and MFI levels, to identify the most significant risks we face and the mitigating strategies to address them. Our Management Risk Committee continues to look comprehensively at all risks to VFI achieving our strategy and objectives, and reports their findings into the board Audit and Risk Committee for their input.

ENSURING GOOD GOVERNANCE

Having effective governance oversight in our MFIs is key to accomplishing our objectives. Good local boards that partner with VisionFund International to oversee and steer each of our MFIs towards success are essential. That's why last year we developed a model to gauge the effectiveness of our boards in the network and action plans to enhance their effectiveness. We continue to equip our boards with cutting edge governance practice and ensure that the members have the requisite skills, qualifications and experience for microfinance governance.

As part of our continuing support to boards, we have tools that reflect leading governing practices, and that make it easier for boards to govern effectively. Key among those that have been developed are monitoring tools and a board Charter that clearly spells out the governing roles and processes.

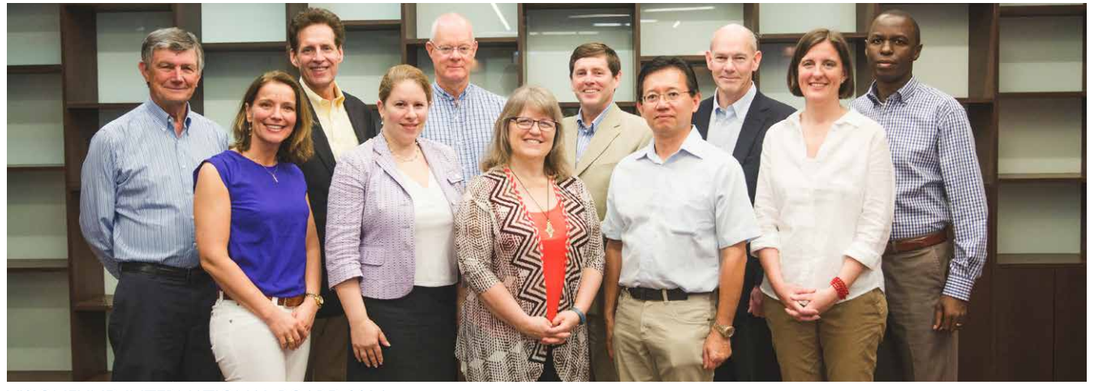
MONITORING OUR SOCIAL PERFORMANCE

Focusing on our goal of improving the lives of 9 million children a year by 2019 is vital. Identifying, collecting and monitoring social performance data helps us keep this goal central and measure our progress toward it.

Our social performance scorecard measures include the poverty levels of incoming clients and changes in poverty over time (using the Progress out of Poverty Index - PPI), child numbers and parent-reported outcomes, client education delivered, the gender mix of clients and client satisfaction surveys undertaken. World Vision has identified Child Well-Being Outcomes to assess the impact of its development efforts in the field. In aligning ourselves with World Vision, we have begun to gather client data to better understand the impact of our services on the clients' children in areas such as improved education, sanitation, drinking water, and access to food and health care.

ACCOUNTABILITY DISCLOSURES

For the latest information and update on our accountability disclosures, please visit: www.vflink.it/accdisc



VISIONFUND INTERNATIONAL BOARD 2014

Gary Duim, Ingrid Allemekinders-Pols (Vice-chair), Dave Young, Heather Grizzle, Jon Hartley (Chair), Joan Mussa, Scott Brown, Philip Chan, Kevin Jenkins, Suanne DeBoer, Michael Mithika, and Eric Fullilove (not pictured)

For more information on VisionFund International's leadership including its board and senior team, please visit: www.vflink.it/VFILeads

VisionFund and Affiliates Network Balance Sheet (unaudited)

	VFI and MFI Network		VFI and Subsidiaries*	
[Amounts in Thousands]	2014	2013	2014	2013
Assets:				
Cash and investments	$106,076	$97,630	$92,209	$68,657
Gross loan portfolio	606,016	515,848	448,737	359,522
(Impairment loss allowance)	(12,971)	(10,680)	(7,430)	(7,292)
Net loan portfolio	593,045	505,168	441,307	352,230
Accounts receivable and other assets	63,790	48,608	33,845	34,187
Total Assets	$762,911	$651,406	$567,361	$455,074
Liabilities:				
Borrowings	$429,993	$354,841	$348,861	$286,143
Client deposits	30,113	21,863	20,766	9,697
Accounts payable and other liabilities	75,719	65,495	54,321	39,890
Total Liabilities	535,825	442,199	423,948	335,730
Net assets:				
Total Net Assets	227,086	209,207	143,413	119,344
Total Liabilities and Net Worth	$762,911	$651,406	$567,361	$455,074

*VisionFund stewards and manages a network of 34 MFIs around the world and, as at September 30, 2014, had subsidiaries in:

- Albania
- Armenia
- Azerbaijan
- Cambodia
- Dominican Republic**
- Georgia***
- Ghana**
- Honduras
- Kenya
- Malawi
- Mexico
- Mongolia**
- Montenegro
- Peru
- Rwanda**
- Serbia
- Sri Lanka
- Tanzania
- Uganda
- Zambia

** Newly consolidated subsidiary for fiscal year 2014

*** The above presentation consolidates Georgia in all line items. For audit purposes, the balances related to Georgia were segregated as Held for Sale.

AUDITED FINANCIAL STATEMENTS

September 30, 2014 and 2013
(With Independent Auditors' Report Thereon)

THE BOARD OF DIRECTORS VISIONFUND INTERNATIONAL AND SUBSIDIARIES:

We have audited the accompanying consolidated financial statements of VisionFund International and subsidiaries (a wholly owned subsidiary of World Vision International), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, 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 did not audit the financial statements of VisionFund Azercredit, LLC, a subsidiary, which statements reflect total assets constituting 16% and 17%, respectively, of consolidated total assets at September 30, 2014 and 2013, and total revenues constituting 23% and 19%, respectively, of consolidated total revenues for the years 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 VisionFund International and subsidiaries, 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 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, based on our audits and the report of, and additional audit procedures performed by, 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, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 17 to the financial statements, subsequent to the reporting period, the major bank accounts of VisionFund AzerCredit LLC (VF AzerCredit), a subsidiary of VisionFund International, were blocked and payments to overseas have been limited because of an investigation into the activities of an individual in Azerbaijan. This individual, who is not connected with VF AzerCredit, allegedly received a grant from a NGO, which in turn received a grant from the Azerbaijan Country Office of World Vision International. As a result of limitations imposed over its bank accounts, VF AzerCredit was not able to pay its debt obligations to foreign lenders. The ultimate outcome of the matter cannot be determined as the investigation is still in progress. Our opinion is not modified with respect to this matter.

Other Matters

As discussed in notes 11 and 17 to the financial statements, during the year ended September 30, 2014, VisionFund International committed to a plan to exit operations in Georgia through the sale of its ownership of Microfinance Organization Credo LLC. The sale was completed in October 2014.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 44 and 45 is presented for the purpose of providing additional analysis to show the effect on the consolidated financial statements of the sale of Microfinance Organization Credo LLC and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

March 26, 2015
KPMG LLP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2014 and 2013	2014	2013
Assets:		
Cash and cash equivalents	$34,055,088	29,684,063
Investments (note 3)	23,594,824	15,414,537
Interest receivable	4,815,025	3,598,488
Accounts receivable	3,607,952	7,062,058
Loans to Microfinance Institutions, net of allowance for loan losses of $1,356,568 and $2,445,716 as of September 30, 2014 and 2013, respectively (note 5)	36,514,206	38,732,346
Loans to Microfinance Institution clients, net of allowance for loan losses of $5,135,731 and $4,154,006 as of September 30, 2014 and 2013, respectively (note 5)	257,318,318	199,390,704
Restricted cash and investments (notes 3, 15 and 16)	5,334,017	4,407,443
Property, plant, and equipment, net (note 6)	8,763,300	5,714,165
Other assets	6,903,034	6,659,707
Investments in affiliates (note 7)	600,000	1,998,364
Assets of subsidiary held for sale (note 11)	185,855,203	142,412,439
Total assets	$567,360,967	455,074,314
Liabilities:		
Accounts payable and accrued expenses	$35,196,762	31,359,179
Interest payable	3,154,410	2,406,798
Deposits from Microfinance Institution clients	20,765,313	9,697,349
Notes payable (note 8)	214,375,041	177,056,258
Other liabilities	4,100,243	1,598,198
Liabilities of subsidiary held for sale (note 11)	146,355,921	113,612,240
Total liabilities	423,947,690	335,730,022
Net assets:		
Unrestricted net assets - Controlling interest (note 9)	124,924,272	106,693,950
Unrestricted net assets - Noncontrolling interest (note 9)	16,010,577	10,133,587
Total unrestricted net assets	140,934,849	116,827,537
Temporarily restricted net assets	2,478,428	2,516,755
Total net assets	143,413,277	119,344,292
Total liabilities and net assets	$567,360,967	455,074,314

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Unrestricted net assets:		
Operating revenue:		
Interest, fees, and commission revenue	$91,974,761	71,341,282
Interest, fees, and commission expense	(16,683,652)	(13,001,160)
Net financial income	75,291,109	58,340,122
Provision for loan losses (note 5)	(3,303,999)	(2,771,001)
Funds recovered from loans written off	2,652,660	2,119,953
Net financial income after provision for loan losses	74,639,770	57,689,074
Other operating income	1,649,462	1,588,696
Total revenue from operations	76,289,232	59,277,770
Operating expenses (note 10):		
Salaries and benefits	47,977,809	36,818,683
Supplies, copying, and printing	2,156,328	1,574,823
Professional fees	4,245,202	3,725,513
Communication expense	1,558,988	1,320,384
Occupancy expense	5,946,842	4,491,745
Travel and transportation	6,129,354	5,000,608
Depreciation	2,165,294	1,227,135
Training and technical assistance	983,089	692,227
Other operating expenses	4,042,037	3,059,624
Total operating expenses	75,204,943	57,910,742
Operating income before taxes and contributions	1,084,289	1,367,028
Tax expense	2,932,509	3,339,446
Net operating income	(1,848,220)	(1,972,418)
Other nonoperating changes in unrestricted net assets:		
Unrestricted contributions (note 12)	21,268,054	12,760,964
Amounts granted to affiliated microfinance institutions	(3,598,085)	(4,920,563)
Contributed net assets (note 13)	2,820,174	6,438,418
Foreign currency translation losses	(2,308,808)	(716,566)
Foreign currency transaction losses	(2,009,391)	(113,966)
Net assets released from restriction	38,327	13,245
Impairment loss on acquisition (note 14)	(1,379,340)	—
Net income from discontinued operations (note 11)	11,124,601	10,458,002
Net change in unrestricted net assets	24,107,312	21,947,116
Temporarily restricted net assets:		
Restricted contributions (note 12)	—	130,000
Net assets released from restriction	(38,327)	(13,245)
Net change in temporarily restricted net assets	(38,327)	116,755
Change in net assets	24,068,985	22,063,871
Net assets, beginning of year	119,344,292	97,280,421
Net assets, end of year	$143,413,277	119,344,292

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$24,068,985	22,063,871
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net income from discontinued operations	(11,124,601)	(10,458,002)
Noncash net assets from contributed entity	(2,640,611)	(6,781,596)
Depreciation expense	2,165,294	1,227,135
Provision for loan losses	3,303,999	2,771,001
Foreign currency revaluation	2,676,002	655,570
Gain on forward contracts	(200,996)	(149,852)
Loss on disposal of equipment	298,860	377,273
Change in assets and liabilities:		
Interest receivable	(896,288)	(226,414)
Accounts receivable	3,560,508	(2,690,926)
Other assets	1,718,497	(2,391,334)
Accounts payable and accrued expenses	2, 258,767	4,496,630
Interest payable	648,398	906,131
Other liabilities	2,703,041	(43,831)
Net cash provided by operating activities	28,539,855	9,755,656
Cash flows from investing activities:		
Purchase of equipment	(4,756,169)	(2,669,948)
Distribution of loans	(434,048,174)	(339,591,962)
Proceeds from loan portfolio repayment	374,545,858	300,149,433
Purchases of investments	(92,259,246)	(62,188,976)
Proceeds from sales of investments	84,124,050	62,586,608
Net cash used in investing activities	(72,393,681)	(41,714,845)
Cash flows from financing activities:		
Proceeds from notes payable	73,156,276	99,943,246
Payments on notes payable	(34,575,177)	(61,208,592)
Deposits from Microfinance Institution clients	9,622,377	2,430,230
Net cash provided by financing activities	48,203,476	41,164,884
Net increase in cash and cash equivalents	4,349,650	9,205,695
Cash and cash equivalents, beginning of year	29,814,063	20,608,368
Cash and cash equivalents, end of year	$34,163,713	29,814,063
Summary of cash and cash equivalents at end of year:		
Cash and cash equivalents	$34,055,088	29,684,063
Restricted cash and cash equivalents	108,625	130,000
Total cash and cash equivalents at end of year	$34,163,713	$29,814,063
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$15,693,312	12,470,252
Cash paid during the year for taxes	3,047,878	2,841,286

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 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 through 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 the following entities:

Name	Country	
VisionFund Albania LLC (VF Albania)	Albania	
SEF International Universal Credit Organization LLC (SEF)	Armenia	
VisionFund Azercredit LLC (VF Azercredit)	Azerbaijan	
VisionFund Cambodia Ltd. (VF Cambodia)	Cambodia	
VisionFund Credo Foundation (VF Credo)	Georgia	
VisionFund Caucasus LLC (VF Caucasus)	Georgia	
Microfinance Organization Credo LLC (MFO Credo)	Georgia	
FUNED VisionFund OPDF (FUNED)	Honduras	(Note 13)
VisionFund Kenya Ltd. (VF Kenya)	Kenya	(Note 13)
VisionFund Ltd. (VF Malawi)	Malawi	(Note 13)
VisionFund Mexico S.A. de C.V., SOFOM, E.N.R. (VF Mexico)	Mexico	
VisionFund AgroInvest LLC (AI Holding)	Montenegro	
MFI Monte Credit LLC (VF Montenegro)	Montenegro	
VisionFund Netherlands I B.V. (Dutch BV1)	Netherlands	
VisionFund Netherlands II B.V. (Dutch BV2)	Netherlands	
EDPYME CrediVision S.A. (CrediVision)	Peru	
AgroInvest Fond LLC (VF Serbia)	Serbia	
AgroInvest Foundation Serbia (NGO Serbia)	Serbia	
VisionFund Holdings (Private) Ltd. (VFL Holding)	Sri Lanka	
VisionFund Lanka Ltd. (VF Lanka)	Sri Lanka	(Note 13)
VisionFund Tanzania, MFC (VF Tanzania)	Tanzania	
VisionFund Uganda Ltd. (VF Uganda)	Uganda	(Note 13)
VisionFund Zambia Ltd. (VF Zambia)	Zambia	
VisionFund Rwanda (VF Rwanda)	Rwanda	(Note 14)
VisionFund Mongolia (VF Mongolia)	Mongolia	(Note 13)
VisionFund Ghana (VF Ghana)	Ghana	(Note 14)
VisionFund Republica Dominicana (VFRD)	Dominican Republic	

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, Controlling Interest – Unrestricted net assets, controlling interest, 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.

Unrestricted Net Assets, Noncontrolling Interest – Unrestricted net assets, noncontrolling interest represent the portion of the Organization's resources attributable to noncontrolling shareholders of consolidated subsidiaries. The value of the noncontrolling interest is based on the ownership percentage of the noncontrolling shareholders in the respective subsidiaries.

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. Unrestricted contributions from affiliated support entities and nonaffiliated aid agencies are for the purpose of funding microfinance work in various affiliated MFIs as well as increasing the pool of funds made available to the poor in the Organization's area of operations 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 carrying value on the date of acquisition or transfer. The Organization reflects the net carrying value of these contributed MFIs as nonoperating increases to net assets in the accompanying consolidated statements of activities.

(d) Amounts Granted to Affiliated MFIs

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

(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, 2014 and 2013:

Entity	Country	2014	2013
VFI	United States	$6,527,303	16,689,586
VF Cambodia	Cambodia	21,238,617	18,433,448
VF Credo	Georgia	36,154,282	25,417,717
AI Holding	Montenegro	9,065,449	13,852,260
VF Azercredit	Azerbaijan	21,098,314	15,804,045
SEF	Armenia	5,250,132	4,451,149
VF Albania	Albania	485,568	646,351
VF Zambia	Zambia	2,338,470	1,431,823
VF Mexico	Mexico	2,738,161	2,663,371
CrediVision	Peru	1,809,567	2,113,720
Dutch BVI	Netherlands	21,897	23,450
VF Tanzania	Tanzania	11,984,550	5,111,771
VF Kenya	Kenya	3,362,471	2,952,905
VF Malawi	Malawi	2,380,721	1,955,351
VF Uganda	Uganda	3,521,496	2,537,039
FUNED	Honduras	2,949,097	1,732,681
VF Lanka	Sri Lanka	4,244,560	3,527,625
VF Rwanda	Rwanda	2,496,467	—
VF Ghana	Ghana	1,288,944	—
VF Mongolia	Mongolia	3,405,933	—
VFRD	Dominican Republic	1,051,278	—
Total		$143,413,277	119,344,292

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

(f) Tax Status

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

The Organization follows Financial Accounting Standards Board (FASB) 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, 2014 and 2013.

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. This may include cash and cash equivalents which are subject to restrictions.

(h) Investments

Investments are recorded at fair value. 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 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 expenses are incurred.

(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. Unrealized gains or losses on forward contracts are recorded at fair value based on current market exchange rates for foreign currencies.

At September 30, 2014 and 2013, the Organization had in place foreign currency contracts totaling $11,652,948 and $14,143,629, respectively. As of September 30, 2014, the Organization recorded assets of $286,593 as part of other assets associated with foreign exchange currency contracts. At September 30, 2013, the Organization recorded liabilities of $200,996 as part of other liabilities 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, included in other liabilities in the statement of financial position, 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, 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) Reclassifications

Certain reclassifications have been made to the 2013 amounts to conform to the 2014 presentation.

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, 2014 and 2013, the net asset value of investments is as follows:

	2014	2013
WVTC investment pool	$4,441,356	$3,350,690
Foreign bank time deposits	19,153,468	12,063,847
Total unrestricted investments	23,594,824	15,414,537
WVTC investment pool (restricted, note 15)	2,369,803	2,386,755
Foreign bank time deposits (restricted, note 16)	2,855,589	1,890,688
Total restricted investments	5,225,392	4,277,443
Total	$28,820,216	19,691,980

4 FAIR VALUE MEASUREMENTS

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

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

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

The following table presents the placement in the fair value hierarchy of assets 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, 2014. The amounts in the table presented for the WVTC investment pool represent the Organization's proportionate share of the underlying investments in the pool.

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:			
Investments:			
WVTC investment pool (note 3):			
Money market fund	$3,661,164	3,661,164	—
U.S. government agency bonds	1,431,484	—	1,431,484
Corporate bonds	1,718,511	—	1,718,511
Foreign bank time deposits:			
Tanzania	3,858,454	—	3,858,454
Kenya	3,593,280	—	3,593,280
Azerbajijan	3,000,000	—	3,000,000
Serbia	2,855,589	—	2,855,589
Armenia	1,879,493	—	1,879,493
Montenegro	1,797,389	—	1,797,389
Honduras	1,035,262	—	1,035,262
Uganda	822,269	—	822,269
Cambodia	799,755	—	799,755
Ghana	656,593	—	656,593
Malawi	570,771	—	570,771
Peru	460,387	—	460,387
Mexico	252,720	—	252,720
Zambia	230,000	—	230,000
Rwanda	151,968	—	151,968
Sri Lanka	45,127	—	45,127
Total Investments	$28,820,216	3,661,164	25,159,052
Assets:			
Foreign exchange currency contracts	$286,593	—	286,593

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, 2013. The amounts in the table presented for the WVTC investment pool represent the Organization's proportionate share of the underlying investments in the pool.

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:			
Investments:			
WVTC investment pool (note 3):			
Money market fund	$4,044,649	$4,044,649	—
U.S. government agency bonds	761,002	—	761,002
Corporate bonds	781,678	—	781,678
Foreign currency time deposits	150,116	—	150,116
Foreign bank time deposits:			
Kenya	3,836,494	—	3,836,494
Armenia	2,154,013	—	2,154,013
Serbia	1,890,688	—	1,890,688
Peru	1,778,486	—	1,778,486
Cambodia	1,037,730	—	1,037,730
Uganda	820,000	—	820,000
Azerbaijan	750,000	—	750,000
Zambia	670,851	—	670,851
Malawi	366,075	—	366,075
Mexico	269,214	—	269,214
Honduras	255,836	—	255,836
Sri Lanka	118,739	—	118,739
Montenegro	6,409	—	6,409
Total Investments	$19,691,980	4,044,649	15,647,331
Liabilities			
Foreign exchange currency contracts	$200,996	—	200,996

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 and liabilities 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.

Other financial instruments, including loans to microfinance institutions and clients, and notes payable, are carried at amortized cost. The lack of available market data for similar instruments makes the determination of the potential difference between carrying value and fair value impracticable.

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 lending to micro-entrepreneurs. As of September 30, 2014 and 2013, these loans totaled $37,870,774 and $41,178,062, 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, 2014, these loans are scheduled for repayment as follows:

	Principal repayment schedule
Fiscal Year:	
2015	$26,770,777
2016	8,747,653
2017	924,742
2018	169,214
2019	1,258,388
	37,870,774
Less allowance for loan loss	(1,356,568)
Loans to affiliated MFIs, net	$36,514,206

Changes in the allowance for loan losses for the years ended September 30, 2014 and 2013 are as follows:

Allowance for loan losses	2014	2013
Beginning of the year	$2,445,716	$1,693,049
Loans written off	(1,089,148)	—
Provision for loan losses	—	752,667
End of year	$1,356,568	2,445,716

Loans to MFIs were concentrated in the following regions as of September 30, 2014 and 2013:

Region of operations	2014	2013
Africa	$3,939,913	7,872,484
Latin America/Caribbean	16,629,722	16,878,409
Middle East/Eastern Europe	10,580,190	12,196,365
Asia/Pacific	6,720,949	4,230,804
	$37,870,774	41,178,062

(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, 2014 and 2013, the Organization's loans to MFI clients totaled $262,454,049 and $203,544,710, respectively. The allowance for loan loss as of September 30, 2014 and 2013 was $5,135,731 and $4,154,006, 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 $300 to $3,820. These loans have terms commonly ranging from 1 to 72 months, their weighted average maturities being approximately 17 months. Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. For the years ended September 30, 2014 and 2013, the weighted average annual interest rates charged were 39% and 36%, respectively.

Loans to MFI clients were concentrated in the following regions as of September 30, 2014 and 2013:

Region of operations	2014	2013
Middle East/Eastern Europe	$112,903,364	101,408,671
Asia/Pacific	94,958,996	63,304,682
Latin America/Caribbean	26,708,386	24,208,700
Africa	27,883,303	14,622,658
	$262,454,049	203,544,710

Changes in the allowance for loan losses for the years ended September 30, 2014 and 2013 are as follows:

Allowance for loan losses	2014	2013
Beginning of the year	$4,154,006	$3,276,355
Loans written off	(3,012,583)	(1,704,689)
From contributed entity	491,270	582,758
Provision for loan losses	3,303,999	2,018,334
Currency valuation change	199,039	(18,752)
End of year	$5,135,731	4,154,006

As of September 30, 2014, based on historical loan performance and aging analysis, the risks related to loan portfolio are limited and are sufficiently covered by the allowance for loan losses.

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, 2014 and 2013:

	2014	2013
Land and buildings	$883,714	753,146
Equipment	4,942,057	3,956,542
Vehicles	4,390,592	3,102,556
Computers and software	7,198,088	4,001,683
	17,414,451	11,813,927
Less		
Accumulated depreciation	(8,651,151)	(6,099,762)
Total	$8,763,300	5,714,165

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 year ended September 30, 2013, the Organization owned preferred, nonvoting shares totaling $1,998,364. This investment was recorded at cost. In the year ended September 30, 2014, the Organization converted these preference shares in VFC Rwanda into common shares, thereby acquiring majority ownership (note 14).

(2) VisionFund Ecuador – On May 21, 2014, the Organization made a capital investment in VisionFund Ecuador amounting to $600,000. This investment was recorded at cost and represents a 12% ownership in the shares of VF Ecuador as of September 30, 2014.

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, 2014, of the $214,375,041 outstanding, $30,000,000 was lent to the Organization by World Vision. As of September 30, 2013, of the $177,056,258 outstanding, $30,000,000 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
48	$66,949,358	0.0% to 5.0%
104	105,716,234	5.1% to 10.0%
53	35,466,763	10.1% to 15.0%
9	6,242,686	over 15.0%
	$214,375,041	

These loans are scheduled for repayment as follows:

	Principal payment schedule
Fiscal year:	
2015	$102,930,231
2016	64,467,712
2017	35,242,265
2018	3,698,948
2019	1,335,035
2020 and beyond	6,700,850
	$214,375,041

As of September 30, 2014, notes payable are unsecured with the exception of a total of $4,321,750 in loans that have been guaranteed by the assets of subsidiaries.

9 UNRESTRICTED NET ASSETS

In the year ended September 30, 2014, the Organization transferred additional ownership to noncontrolling interest owners in VF Tanzania. As of September 30, 2014, the Organization owned 66% of VF Tanzania.

In the year ended September 30, 2014, the Organization received an additional 44.77% ownership in VF Lanka as a transfer from the noncontrolling interest owner. As of September 30, 2014, the Organization owned 100% of VF Lanka.

In the years ended September 30, 2014 and 2013, the Organization received an additional ownership of 1.1% and 38.13%, respectively, in CrediVision as a transfer from the noncontrolling interest owner. As of September 30, 2014, the Organization owned 96.1% of CrediVision.

In the year ended September 30, 2013, the Organization received an additional 8% ownership in VF Zambia. As of September 30, 2013, the Organization owned 100% of VF Zambia.

Changes in unrestricted net assets for the year ended September 30, 2014 are as follows:

	Total	Controlling interest	Noncontroling interest
Balance October 1, 2013	$116,827,537	106,693,950	10,133,587
Excess of revenues over expenses	22,666,478	20,402,665	2,263,813
Transfers to non-controlling interest	—	(3,613,177)	3,613,177
Impairment loss on acquisition (note 14)	(1,379,340)	(1,379,340)	—
Contributed net assets (note 13)	2,820,174	2,820,174	—
Balance September 30, 2014	$140,934,849	124,924,272	16,010,577

Changes in unrestricted net assets for the year ended September 30, 2013 are as follows:

	Total	Controlling interest	Noncontroling interest
Balance October 1, 2012	$94,880,421	88,745,611	6,134,810
Excess of revenues over expenses	15,508,698	12,824,918	2,683,780
Transfers from non-controlling interest	—	1,149,671	(1,149,671)
Contributed net assets (note 12)	6,438,418	3,973,750	2,464,668
Balance September 30, 2014	$116,827,537	106,693,950	10,133,587

10 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, 2014, of the $101,723,188 in total expenses (excluding foreign currency adjustments and impairment losses), $89,108,377 was incurred in the course of program services and $12,614,811 was incurred in the course of supporting services by the Organization. For the year ended September 30, 2013, of the $81,942,912 in total expenses (excluding foreign currency adjustments), $69,743,375 was incurred in the course of program services and $12,199,537 was incurred in the course of supporting services by the Organization.

11 SUBSIDIARY HELD FOR SALE

During the year ended September 30, 2014, the Organization committed to a plan to exit operations in Georgia through the sale of its ownership of MFO Credo. The decision to exit operations in Georgia was made as a part of the Organization's broader strategy to focus on growth of operations in Africa and Asia.

An agreement to sell MFO Credo was finalized in September 2014 and was executed subsequent to year-end. MFO Credo was not classified as held for sale as of September 30, 2013 and the consolidated statements of financial position and the consolidated statements of activities have been re-presented to show the related balances separately from continuing operations.

	2014	2013
Assets classified as held for sale:		
Cash and cash equivalents	$12,936,249	6,729,001
Investments in foreign bank time deposits (level 2 investments)	16,288,600	12,422,000
Loans to Microfinance Institution clients, net of allowance for loan losses of $937,465 and $692,040 as of September 30, 2014 and 2013, respectively	147,474,653	114,107,461
Interest receivable	2,545,575	2,301,559
Accounts receivable and other assets	3,117,877	4,123,667
Property, plant, and equipment, net	3,492,249	2,728,751
Total	$185,855,203	142,412,439
Liabilities classified as held for sale:		
Notes payable, short-term	$38,634,228	38,302,256
Notes payable, long-term	95,851,922	70,784,131
Interest payable	2,195,167	1,679,280
Accounts payable and other	9,674,604	2,846,573
Total	146,355,921	113,612,240
Results of discontinued operations:		
Revenue	$50,166,747	40,717,565
Expenses	(36,651,322)	(28,449,491)
Net income from discontinued operations, before tax	13,515,425	12,268,074
Tax expense	(2,390,824)	(1,810,,072)
Net income from discontinued operations	$11,124,601	10,458,002

12 CONTRIBUTIONS

Contributions, excluding contributed net assets, for the years ended September 30, 2014 and 2013 totaled $21,268,054 and $12,890,964, respectively.

In the year ended September 30, 2014, the Organization received contributions from WVI totaling $8,886,198. Of this amount, $4,234,032 related to funds transferred out of the microfinance program in Thailand, $3,912,156 related to the transfer of ownership in VF Tanzania, and $360,000 related to the transfer of ownership in VF Ghana.

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

	2014	2013
Unrestricted:		
World Vision United States	$8,135,212	6,637,603
World Vision International	8,886,198	3,248,777
World Vision Zambia	567,492	70,550
World Vision Uganda	484,404	18,591
World Vision Rwanda	314,374	—
World Vision New Zealand	307,986	472,292
World Vision Canada	229,235	330,176
World Vision Mongolia	190,618	—
World Vision Malawi	152,384	74,794
World Vision Kenya	145,160	—
World Vision Singapore	141,360	451,568
World Vision Hong Kong	100,000	1,198,412
World Vision Germany	85,225	—
World Vision Ghana	54,698	—
World Vision Albania	37,808	22,535
World Vision Japan	15,000	—
World Vision Korea	14,913	—
World Vision United Kingdom	—	130,963
World Vision Switzerland	—	50,000
World Vision Cambodia	—	25,089
Nonaffiliated Aid Agencies	1,405,987	29,614
Total unrestricted	$21,268,054	$12,760,964
Restricted:		
Inter-American Development Bank	—	$130,000

13 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, 2014, 100% ownership in VF Mongolia was acquired by the Organization through the contribution of ownership from WVI. The total contributed net assets recognized were $2,496,501.

During the year ended September 30, 2014, WVI contributed net assets into FUNED totaling $323,673 through the liquidation of FUNED OPD, a separate entity controlled by WVI.

During the year ended September 30, 2013, 98.37% ownership in FUNED was acquired by the Organization through the contribution of ownership from WVI. Prior to the contribution, the Organization owned 17% of FUNED. The total contributed net assets recognized were $1,691,565, of which $33,115 was attributable to noncontrolling interest.

During the year ended September 30, 2013, 99% ownership in VF Uganda was acquired by the Organization through the purchase of shares for $744,266. The total contributed net assets recognized were $32,486, of which $23,995 was attributable to noncontrolling interest.

During the year ended September 30, 2013, VF Malawi was incorporated with 99% equity owned by the Organization. During the year ended September 30, 2013, VF Malawi recognized contributed net assets from transfer of assets and liabilities from WVI totaling $1,557,066, of which $20,778 was attributable to noncontrolling interest.

During the year ended September 30, 2013, 75% ownership in VF Kenya was acquired by the Organization through the conversion of loans into common shares totaling $1,759,875. The total contributed net assets recognized were $1,469,644, of which $807,830 was attributable to noncontrolling interest.

During the year ended September 30, 2013, 55.23% ownership in VF Lanka was acquired by the Organization through purchase of common shares for $1,854,511. The total contributed net assets recognized were $1,687,657, of which $1,579,400 was attributable to noncontrolling interest.

14 IMPAIRMENT LOSSES ON ACQUISITIONS

During the year ended September 30, 2014, the Organization acquired majority ownership in VF Rwanda through the conversion of preference shares into common shares. Upon acquisition, the Organization recognized an impairment loss of $1,206,001, based on the excess of the historical share value over the fair value of net assets acquired. The initial ownership acquired in VF Rwanda was 53.5%. The organization made additional investments in VF Rwanda in the year to increase the ownership to 72.5% as of September 30, 2014.

During the year ended September 30, 2014, 90% ownership in VF Ghana was acquired by the Organization through purchase of common shares for $360,000 from a contribution received from World Vision International (note 11). Upon acquisition, the Organization recognized an impairment loss of $173,339, based on the excess of the consideration transferred over the fair value of net assets acquired.

15 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, 2014 and 2013, the Organization has accounts payable to World Vision totaling $23,872,792 and $19,187,833, respectively. These amounts were for operating expenses paid by World Vision on behalf of the Organization.

As of September 30, 2014 and 2013, the Organization had available lines of credit from World Vision totaling $30,000,000. As of September 30, 2014 and 2013, the Organization has drawn $30,000,000 on these lines of credit (note 8). The lines of credit bear interest at rates ranging from 2.15% to 2.44%. The lines of credit are unsecured and mature on June 30, 2015.

As of September 30, 2014 and 2013, the Organization has notes payable to World Vision Germany in the amounts of $2,526,200 and $1,626,250, respectively, which bear interest at rates of 3%. The loans mature on June 30, 2015 and October 31, 2015.

During the year ended September 30, 2006, World Vision International contributed $2,400,000 to the Organization as support for micro-economic development for the victims of the 2004 tsunami in India. As of September 30, 2014 and 2013, the Organization maintained restricted funds related to this contribution totaling $2,369,803 and $2,386,755, respectively.

16 CONTINGENT LIABILITIES

The operations of VF Serbia include the servicing of loans to microfinance clients which are issued by a third-party bank. These loans are guaranteed by VF Serbia and are secured by deposits held with the same bank. As of September 30, 2014, the value of the guaranteed loan portfolio totaled $11,868,231. These loans are not included on the consolidated statements of financial position. As of September 30, 2014 the value of deposits held by VF Serbia as security for these loans totaled $2,855,589. These deposits are reported as investments on the consolidated statements of financial position (note 4).

17 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 March 26, 2015, (the date the consolidated financial statements were available to be issued) for potential recognition or disclosure in the consolidated financial statements.

In October 2014, the sale of MFO Credo was completed (note 11). The Organization sold its 100% ownership in MFO Credo and received cash proceeds of $53,500,000. As a result of the sale, the Organization paid taxes and settlement costs totaling $11,443,326. After deducting prepaid selling expenses of $603,494, the Organization recognized a gain on the sale of MFO Credo totaling $5,298,898.

Subsequent to the reporting period, a number of non-governmental organizations (NGOs) in the country of Azerbaijan, including representatives and branches of international NGOs, have become the subject of a criminal investigation by the government of Azerbaijan. The claims were based on allegations of tax evasion and financial misappropriation by an individual who is not associated with VF Azercredit or World Vision. This individual, allegedly, has received a grant from one NGO, and that NGO has also received a grant from the Azerbaijan Country Office of World Vision International. As part of the investigation into World Vision Azerbaijan, VF Azercredit's main bank accounts have been blocked for the period of investigation pursuant to court orders received in October 2014. VF Azercredit, which is 52% owned by VFI, has not been accused of involvement in criminal activity.

In order to maintain continuity of the business, VF Azercredit has established procedures to operate its day-to-day activities in cash. As of the date of this financial statement, VF Azercredit continues collecting receivables from its clients, and disbursing new loans as well as making payments for its liabilities such as salaries to the staff, taxes to the government and payables to vendors in cash form.

All lenders have been informed about the temporary inability to make payments outside of the country. A Standstill Agreement has been signed between VF Azercredit and all foreign lenders. According to this agreement, lenders have assented to a standstill in relation to their contractual rights until June 30, 2015. VFI has U.S. Dollar loans outstanding to VF Azercredit amounting to $3,650,000.

On February 21, 2015, the Central Bank of the Republic of Azerbaijan announced a devaluation of its currency from 0.78 to 1.05 manats to the U.S. dollar.

The Organization believes that although VF Azercredit is currently affected by the investigation and its bank accounts are temporarily blocked, the investigation will be finalized within the term of the Standstill Agreement with lenders, and the outcome of this case will not have a material effect on the business. The financial statements have been prepared on the assumption that VF Azercredit will be able to continue as a going concern and that its operations will continue for the foreseeable future. The outcome of this matter will not impact the ability of VFI or its other subsidiaries to continue operations.

SUPPLEMENTARY SCHEDULE

PRO FORMA FINANCIAL STATEMENTS

The following financial statements are presented to show the effect of the sale of MFO Credo (notes 11 and 17) as though it had occurred during the year ended September 30, 2014 (Unaudited)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2014 (UNAUDITED)

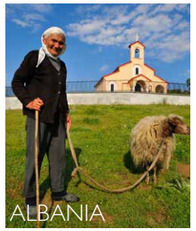
Assets:	
Cash and cash equivalents	$34,055,088
Investments	23,594,824
Interest receivable	4,815,025
Accounts receivable	57,107,952
Loans to Microfinance Institutions, net of allowance for loan losses of $1,356,568 as of September 30, 2014	39,859,206
Loans to Microfinance Institution clients, net of allowance for loan losses of $5,135,731 as of September 30, 2014	257,318,318
Restricted cash and investments	5,334,017
Property, plant, and equipment, net	8,763,300
Other assets	6,299,540
Investments in affiliates	600,000
Total assets	$437,747,270
Liabilities:	
Accounts payable and accrued expenses	$46,640,088
Interest payable	3,154,410
Deposits from Microfinance Institution clients	20,765,313
Notes payable	214,375,041
Other liabilities	4,100,243
Total liabilities	289,035,095
Net assets:	
Unrestricted net assets - Controlling interest	130,223,170
Unrestricted net assets - Noncontrolling interest	16,010,577
Total unrestricted net assets	146,233,747
Temporarily restricted net assets	2,478,428
Total net assets	148,712,175
Total liabilities and net assets	$437,747,270

See accompanying independent auditors' report

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION YEAR ENDED SEPTEMBER 30, 2014 (UNAUDITED)

Unrestricted net assets:	
Operating revenue:	
Interest, fees, and commission revenue	$91,974,761
Interest, fees, and commission expense	(16,683,652)
Net financial income	75,291,109
Provision for loan losses	(3,303,999)
Funds recovered from loans written off	2,652,660
Net financial income after provision for loan losses	74,639,770
Other operating income	1,649,462
Total revenue from operations	76,289,232
Operating expenses:	
Salaries and benefits	47,977,809
Supplies, copying, and printing	2,156,328
Professional fees	4,245,202
Communication expense	1,558,988
Occupancy expense	5,946,842
Travel and transportation	6,129,354
Depreciation	2,165,294
Training and technical assistance	983,089
Other operating expenses	4,042,037
Total operating expenses	75,204,943
Operating income before taxes and contributions	1,084,289
Tax expense	2,932,509
Net operating income	(1,848,220)
Other nonoperating changes in unrestricted net assets:	
Unrestricted contributions	21,268,054
Amounts granted to affiliated microfinance institutions	(3,598,085)
Contributed net assets	2,820,174
Foreign currency translation losses	(2,308,808)
Foreign currency transaction losses	(2,009,391)
Net assets released from restriction	38,327
Impairment loss on acquisition	(1,379,340)
Net income from discontinued operations	11,124,601
Gain on sale of MFO Credo	5,298,898
Net change in unrestricted net assets	29,406,210
Temporarily restricted net assets:	
Net assets released from restriction	(38,327)
Net change in temporarily restricted net assets	(38,327)
Change in net assets	29,367,883
Net assets, beginning of year	119,344,292
Net assets, end of year	$148,712,175

See accompanying independent auditors' report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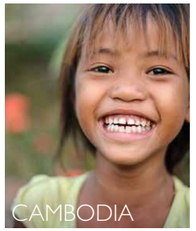
ARMENIA


AZERBAIJAN


BOLIVIA


BOSNIA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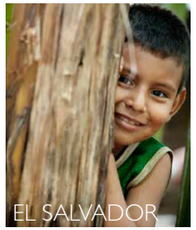
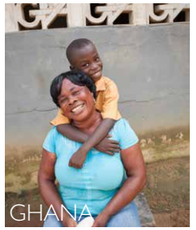

EL SALVADOR


(MFI AFFILIATE) ETHIOPIA


GEORGIA


GHANA


GUATEMALA


HONDURAS

OUR GLOBAL FAMILY


INDIA


KENYA


KOSOVO


MALAWI


MALI


MEXICO

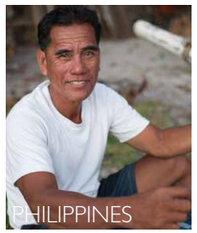

MONGOLIA


MONTENEGRO


MYANMAR


NICARAGUA


PERU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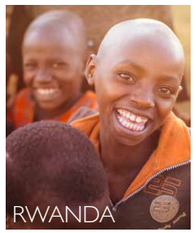
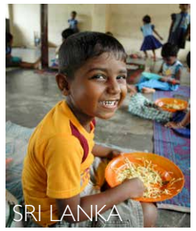

RWANDA


SENEGAL


SERBIA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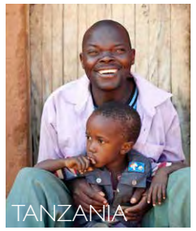
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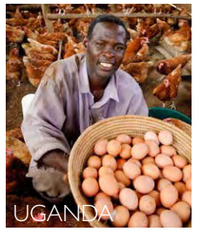
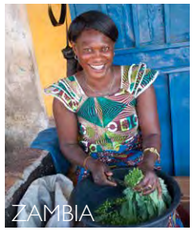

UGANDA


VIETNAM


ZAMBIA

A young boy attends school in the Amri region of India.

COVER:
A group of boys play in the water at Doljo beach in the Philippines while Anton's (orange shirt) uncle, Deodoro, fishes in the same water.

Deodoro fishes off the coast of Pangloain the Philippines. He has been a client over ten years.

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