VisionFund INTERNATIONAL

2015 ANNUAL REPORT

WE BELIEVE

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OUR SHARED VISION FOR EVERY CHILD

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

In 2015, VisionFund's global network of more than 30 microfinance institutions (MFIs) impacted the lives of nearly four million children – as our clients received small loans, they used new-found profits for the benefit of their families. As businesses grew, parents were able to afford to send children to school, put nutritious meals on the table and take better care of their families' health. World Vision is helping to change the face of poverty through its microfinance efforts at VisionFund. As family incomes rise, children are experiencing life in all its fullness.

Despite shocks to the global economy in 2015, including material foreign exchange swings effecting most countries and companies, VisionFund's global portfolio, excluding Eastern Europe, grew by over 22 percent. This was driven by growth in active borrowers which included a noticeable increase in the percentage of female clients. This success would not be possible without our people; we congratulate all our staff for their dedication and staying focused on our clients.

In Myanmar, a newly-awarded grant is allowing us to expand into different areas where formal financial services are absent. In a country that is seeing new freedoms for the first time, we are on the ground helping to pave the way for a stronger tomorrow for thousands. In Tanzania, we have developed digital systems and mobile banking to reduce operating costs. This allows us to reach into more rural areas. At VisionFund, we are working together with World Vision's development efforts to provide smallholder farmers with training, technical know-how, funding and the ability to get products to market. The end result is a significant jump in incomes and a better life for children. In addition, our work with Columbia University, global weather risk specialists and the UK Government's Department for International Development on global disaster insurance structures is leading the industry and may provide greater help to farmers as they experience natural shocks.

Our network of MFIs is continuing to lead the industry in social performance reporting. Expanding our use of the Progress Out of Poverty Index, we are better able to target the right clients and measure their progress over time. As we listen to client needs, we can develop new products that they value, including loan products specifically designed to improve the well-being of children. For example, we offer loans in Kenya that increase access to solar power, allowing children to study indoors, and our borrowers in Cambodia are able to take out loans to build latrines and improve their families' hygiene.

So much more needs to be done. The World Bank's latest report highlighted that nearly 900 million people around the world are still living on less than US$1.90 a day. In response to this need, VisionFund is continuing in its mission to *bring brighter futures to children, empower families to create incomes and jobs, and unlock the economic potential for communities to thrive.*

We aspire to be the most trusted and admired global microfinance networks. VisionFund's commitment to integrate with the development work of World Vision provides a unique advantage that is unmatched throughout the industry. Thank you for your ongoing support of this vital work and we hope that you will continue to join us on our mission to bring *life in all its fullness to millions of children around the world.*

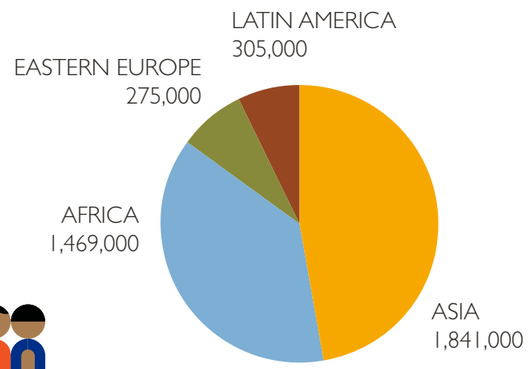
KEVIN JENKINS
PRESIDENT AND CEO, WORLD VISION INTERNATIONAL

JON HARTLEY
BOARD CHAIR VISIONFUND INTERNATIONAL

SCOTT BROWN
PRESIDENT AND CEO, VISIONFUND INTERNATIONAL

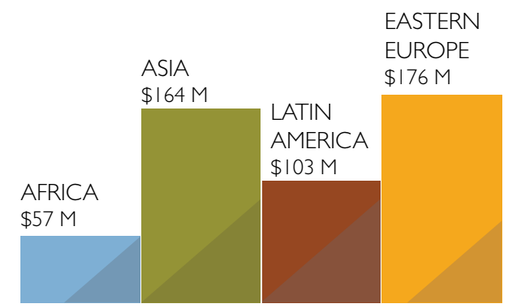
KEY HIGHLIGHTS

At VisionFund we are striving to impact millions of children when their parents receive small loans and other financial services. These key highlights show the effect we're making around the world, in the four regions where we work.



TOTAL 3,890,000

CHILDREN IMPACTED



TOTAL $500 MILLION

GLOBAL LOAN PORTFOLIO

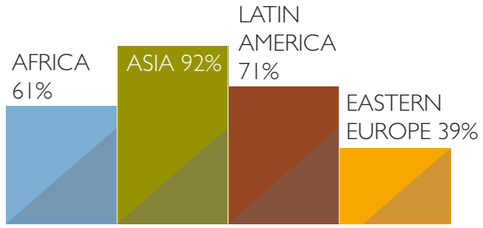
7,000+

GLOBAL NETWORK STAFF

98.7%
GLOBAL
AVERAGE

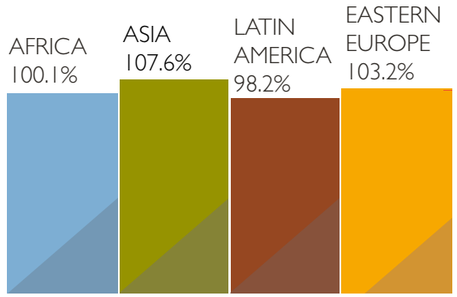
REPAYMENT RATE

**Facts and figures as of 30 September 2015 and reference fiscal year 2015 data in US dollars.*



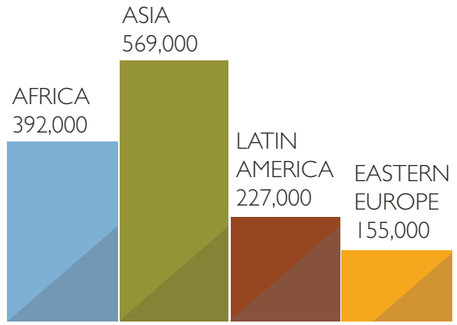
GLOBAL AVERAGE 73%

FEMALE CLIENTS (%)



GLOBAL AVERAGE 102.6%

OPERATIONAL SUSTAINABILITY (%)



TOTAL 1,343,000

NUMBER OF LOANS DISBURSED

OUR VISION AND MISSION

Vedaste, of Rwanda, and his five siblings were all raised by their single mother. Vedaste is now employed as a carpenter and is able to help support his family. When people like Vedaste are able to start or develop small businesses, entire families can experience lasting change.

'Our Mission'

As we work out our mission, watch how VisionFund impacts children, families and communities at vflink.it/on-mission

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. *Learn how children are experiencing life in all its fullness on pages 8-9.*

We empower families to create income and jobs.
Our financial services enable impoverished households to increase incomes. We train clients to grow successful businesses using their income to support children and families. *See how families are escaping poverty by visiting pages 10-11.*

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. *Visit pages 12-14 to learn how communities are taking off when local economies are able to thrive.*

We are VisionFund – Financial Empowerment from World Vision.
As World Vision's microfinance efforts grow around the world, discover how this special relationship is making a lasting change on pages 14-15.

OUR MISSION:
BRIGHTER FUTURES

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

At VisionFund, we believe in brighter futures for children like Arnel and Annalou of the Philippines. These two brothers enjoy playing games like rolling tires along a trail in the field near their home, an activity known to all children in their Filipino village. Along with five siblings, these boys live happy and healthy lives provided by the additional family income from their mother's growing business.

For years Esther, the boys' mother, struggled to provide for her children. She is a reseller of salted fish, a local product in their village. After hearing about VisionFund, Esther took out a loan that enabled her to pay for the fish upfront. She quickly repaid the loan and was able to net more than triple the profit she was making before.

With a growing business and additional income, the family's struggles have been replaced with a new hope. Arnel, Annalou and the rest of their siblings now see brighter futures ahead of them.

Additionally, entire villages in the Philippines have seen their communities rebuilt through emergency recovery loan products provided by VisionFund in the wake of Hurricane Haiyan.

In 2015, nearly **3.9 million children** were positively **impacted** by VisionFund small loans.

OUR MISSION:
EMPOWERING FAMILIES

We empower families to create incomes and jobs.

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

For Graciela, her husband Segundo and their children, home has always been a farming community in San Gabriel, Ecuador. Each family has a genuine interest in seeing their neighbours do well. They know that they all must share in the challenges of farming to ensure a productive future.

During harvest time, Graciela's farm employs up to 50 people and the rest of the year around ten people. "All of the employees are friends and neighbours. I love working with them," Graciela says.

This community spirit of togetherness led the women to apply for a group loan through VisionFund Ecuador. Graciela used her portion to purchase fertiliser, seeds, animal food and farming equipment to make tending their 3.5 acres of land more efficient for her family and workers.

Not only have jobs and production risen, but Graciela and her employees can now dream of better opportunities for their children, as they pursue higher education.

In 2015 the VisionFund network created or sustained over 1,600,000 jobs.

OUR MISSION:
UNLOCKING COMMUNITIES

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 entrepreneurship, access clean water, education and healthcare, benefit from improvements to nutrition, and provide the foundations for local economies to flourish.

Developing a robust community involves many moving parts, with each piece coming together to build long-term change. It requires more than simply providing micro loans, which is why VisionFund works as a part of World Vision to support holistic economic development. The *THRIVE* scale programme with smallholder farmers with an initial focus on Africa is a good example of building resilience in farming communities.

Part of this programme in Tanzania over the past three years brought together over 5,000 rice farmers to form savings groups, then larger producer groups, to receive training in better farming methods and aggregate their products to negotiate for better market prices. VisionFund loans allowed the farmers to buy more seed and land to improve production and grow their incomes.

This particular community in Tanzania is now transformed and becoming unrecognisable for the right reasons: farmers increased rice production, while the community grew its collective income by over 140%. Farmers paid their children's school fees, began family savings accounts and invested profits in other businesses.

The five year strategy in Tanzania has an ambitious target to impact over 150,000 smallholder farmer families.

World Vision and VisionFund are already in the process of expanding the model into Zambia, Malawi and Mali as the next phase to unlock the economic potential through large scale work with smallholder farmers in target communities where World Vision and VisionFund operate together.

Over 750,000 clients served in rural communities in 2015.

CHRISTIAN COMMITMENT

VisionFund is the world's largest Christian microfinance network. Christian identity at VisionFund remains vital to our organisational culture. God's love for all men, women and children is the underlying driver of why we help families move out of poverty, whatever their faith or none. We share the same 'DNA' in terms of vision as our parent World Vision and this is a major personal motivator for many of our staff.

Our staff represent several Christian traditions as well as followers of other faiths and we work in varied cultures and contexts. For that reason, it is important to have a common and unifying understanding of our Christian identity and faith-based approach to microfinance. Our Christian identity informs how we behave towards our work, colleagues, supporters and donors, partners and clients. In previous years we focused on ensuring that all staff have a consistent understanding of our Christian identity and in 2015 we worked with management in each country to better contextualise this.

At an MFI level, 21 MFI CEOs engaged in an exercise of self-assessment to identify priority areas of focus in the expression of Christian identity in staff recruitment, communication and orientation, staff spiritual nature, Christian culture in operations and client treatment.

We continue to nurture a sense of reliance on God at all levels of our organisation. This allows us and our clients to work through difficult situations with a clear purpose while developing gratitude for the resources, people and supporters that enable it.

As our staffing develops, we are working to refresh our definition of Christian identity. This will allow us to better communicate our mission to all of our staff, clients and supporters.

84% of our MFIs (21 MFIs outside Eastern Europe) implemented action steps to improve our Christian identity.

OUR MISSION:
WORKING TOGETHER

We are VisionFund – Financial Empowerment from World Vision

When World Vision brought clean water to the community of Hamaundu in Zambia, the lives of people throughout the area were instantly affected. For four-year-old Ruth and her seven brothers and sisters, this meant more than just clean drinking water. Access to water meant that their mother, Eunice, could grow a small vegetable garden close to the borehole.

By selling her produce, Eunice can now feed her children and provide an income to the family. VisionFund serves this area of Zambia and provides loans so mothers like Eunice can start and grow their businesses as they gain access to clean water from World Vision.

"There used to be hunger here - it was really hard especially when we reached the dry season," says Eunice. "It was impossible to have this garden and I used to worry all the time. Now, I no longer worry about my children's health."

World Vision provides financial empowerment to communities just like Hamaundu through its microfinance work at VisionFund. As part of a major development organisation, VisionFund is able to intertwine its financial services within the context of World Vision's holistic, child-focused development approach. This ensures that we reach the poorest communities while making a lasting change.

Nearly 600,000 people were impacted within World Vision development areas in 2015.

A FOCUS ON WOMEN

As we all know, mothers generally consider their children as their first priority. We see that in practice, in terms of how our clients use their increased business incomes to improve the lives of their children. This means better food, healthcare, clean water and education for their sons and daughters. Last year nearly 3.9 million children experienced increased benefits, while over 800,000 VisionFund clients were women (73% of all clients).

VisionFund's focus on women borrowers is important. According to the Global Findex[1], in developing countries women are 17% less likely to have received any form of formal lending in comparison to men. Even when women have access to lending services, they are often excluded from other financial services including savings and insurance.

Additionally, VisionFund's network of microfinance institutions is increasing the proportion of women field officers. These women have similar life experiences and can relate to the majority of VisionFund borrowers, decreasing the barrier to entry for many women.

At VisionFund, by focusing on both women borrowers and staff, it helps ensure our goal of seeing a positive impact on children in rural areas. This will only be achieved through continually emphasising the importance of women in our work.

[1] *http://www.worldbank.org/en/programs/globalfindex*

We served over 800,000 female clients, which translates into lasting change for families.

OUR STRATEGY

At VisionFund, we have carefully planned a five-year strategy to help us achieve our mission. Entitled *Building Futures Together,* our strategy pledges to build brighter futures for nine million children per year by 2019.

As part of this strategy, we are seeing greater results in rural areas through the support and financial empowerment of parents and caregivers. We are growing our clients' livelihood resilience by providing creative, flexible and well-structured solutions. We are broadening our partnerships and deepening our engagement with other development sectors. We are touching the lives of children beyond those of our own clients by raising industry standards and influencing our peers. We are developing 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.

ACCOMPLISHMENTS TO DATE:

- Strong growth across existing core country operations, building on strong foundations over the past three years. Since 2012, VisionFund has grown the number of active borrowers from roughly 800,000 to over 1.1 million.
- Over the next few years, VisionFund will be implementing a variety of new technology-enabled services. Mobile Money will increase financial access in remote areas, minimise travel times for borrowers and reduce the need for physical locations. Mobile Tablets will provide for faster turnaround times, maximise client interaction and service, lower back office costs and improve productivity. Cloud based platforms will standardise controls and processes while lowering operating costs and capital requirements. Finally, increased client data will ultimately improve our customer knowledge and lead to better risk management as we strengthen operations.
- Political changes in Myanmar have opened the door to strong growth across the country.
- Preparing to start new operations in the Democratic Republic of the Congo through a bold new programme.

INTEGRATING SERVICES

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

ACCOMPLISHMENTS TO DATE:

- The successful launch of an emergency recovery loan product in the Philippines aimed at getting families back to work following a natural disaster.
- Supporting thousands of families dealing with droughts and floods in fragile African states brought on by El Niño.
- Additional partnerships with World Vision Savings Groups, aimed at developing savings programmes in areas where we work.

IMPROVING LIVELIHOODS

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

ACCOMPLISHMENTS TO DATE:

- Through *THRIVE*, a joint World Vision and VisionFund initiative piloted in Tanzania, farmers are brought together and gain advice through pioneering agricultural methods and are introduced to innovative techniques; these efforts work together to increase yields and fetch a better price at the market. Alongside these efforts, VisionFund provides small loans to these same farmers, allowing them to purchase more land and experience higher yields.
- Established a food production and distribution company, *The Great African Food Company.*

STRONG FUNDING

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

ACCOMPLISHMENTS TO DATE:

- Funding in 2015 from World Vision Support Offices totalled more than $10 million.
- Our major donor fundraising efforts continue to expand in the USA as World Vision launches an ambitious campaign to raise $175 million for economic empowerment.
- Launched new grant strategy in FY15 and are now managing a $14 million grant portfolio. New grant partners include the UK government (DFID), the Rockefeller Foundation, FMO (the Dutch development bank) and the Asian Development Bank (supported by a fund from the Government of Canada).
- $6 million of the total portfolio was represented as loans from donor-lenders as of September 2015.

VOICE OF INFLUENCE

through recognition and respect of peers, donors and regulators.

ACCOMPLISHMENTS TO DATE:

- Contribution to best practice initiatives as part of the Microfinance CEO Working Group, a sector group of leading MFI networks.
- 20 VisionFund MFIs qualified to use the Progress Out of Poverty (PPI) tool, which is utilised to ensure that MFIs remain on mission and committed to the needs of poor clients. VisionFund has partnered with the PPI creator to test a new analytical tool, making it easier to track PPI client groups at the country and branch level.
- Championed the SMART client protection certification and have a collection of MFIs now certified. The regulatory framework and guidelines have been developed by the Microfinance CEO Working Group.

SOCIAL PERFORMANCE

As a network of more than 30 microfinance institutions (MFIs) around the world, VisionFund naturally champions strong financial performance, but it doesn't end there.

Alongside financial performance, VisionFund MFIs adhere to a double bottom line of ensuring strong social performance alongside financial health. To continue to provide financial services at reasonable rates, VisionFund works to ensure that loans are being paid back on time and operations are run sustainably. This translates into ensuring that we are identifying the right clients with appropriately sized loans and terms that can help them be successful. Both internal and external auditing ensures that the network of MFIs are being reviewed regularly in a transparent manner.

Working with groups of individuals, we aim to impact communities by lifting families out of poverty. Using the Progress Out of Poverty Index (PPI), we are increasingly able to measure the economic well-being of our clients over time. As a leading advocate and user of the PPI, this tool helps us measure client income levels (and subsequent changes over time) in relation to their country's poverty line. The evidence is that this then translates for most families into better nutrition, education for children and a dry and comfortable home.

Finally, at VisionFund we are regularly developing in our MFIs 'child well-being' loan products. The primary purpose of these loans are to help families increase the health and well-being of their children. For example, in Cambodia, poor sanitation in rural areas is responsible for nearly a fifth of deaths in children under five. World Vision Cambodia supplies families with affordable sanitation as a way to combat the problem. VisionFund Cambodia has been able to step in and support this effort by offering affordable loans for families to purchase latrines and fresh water purifiers.

Emphasising only social or financial performance is not enough. At VisionFund, we continue to champion a financially sound MFI network while ensuring that we're making a positive effect in the communities where we serve.

Each year VisionFund releases a comprehensive global report focusing specifically on our social performance. Please visit VisionFund.org in spring 2016 to review this updated report.

Nearly four million children were impacted when thriving businesses increased family incomes.

VisionFund aims to see children's lives improve in practical ways when their parents receive small loans. Dulamsuren, in Mongolia, is experiencing life in all its fullness.

MANAGEMENT REPORT
AND BOARD OF DIRECTORS

JON HARTLEY
Board Chair

INGRID J.M. ALLEMEKINDERS-POLS
Board Vice Chair

DIRK BOOY
Partnership Leader - Global Programmes, World Vision International

HEATHER GRIZZLE
Independent Fundraising Consultant

SCOTT BROWN
President & CEO, VisionFund International

KEVIN JENKINS
President & CEO, World Vision International

PHILIP CHAN
Independent Consultant

STEPHEN LOCKLEY
Chief Financial Officer, World Vision International

SUANNE DEBOER-MIEDEMA
Vice President, DeBoer's Holdings

MICHAEL MITHIKA
CEO, JM Mantle & Co. LTD.

GARY DUIM
Vice Chairman, US Bancorp (retired)

JOAN MUSSA
Executive Director of External Relations, World Vision US

ENSURING GOOD GOVERNANCE

With well over a decade's experience leading World Vision's microfinance network, VisionFund International (VFI)is the primary owner and operator of its microfinance institutions (MFIs) located across the globe. This ownership status has been accommodated as MFIs within the network have been effectively converted from NGOs to LLCs.

Having effective governance oversight at VFI and in our MFIs is key to accomplishing our objectives. We start with a clear global governance model and framework which lays out the roles of VFI and the local boards. We have seen dramatic changes to the landscape of oversight through setting both expectations and thorough monitoring at the MFI board level. With boards consisting of a diverse membership and skill sets; we have developed ongoing training of local 'governance champions' within the MFIs and at the board level itself. Through a careful selection and appointment of MFI board members with a consideration of skills, gender and geographical base, VFI is ensuring proper representation and diverse contributions. By taking this action, the level of board effectiveness has dramatically risen over the past few years. We know this as VFI governance external assessments are teaching us where we are strong and what gaps require agreed action plans to improve.

Local boards affirm the contribution of the central VFI team as experts in the many technical areas required by the MFIs. VFI appreciates the professionalism, connections with regulators and local partners and the specific business knowledge that can only be found locally. We are grateful for the many hours of voluntary service these professionals provide.

In addition to our board of directors across our MFI network, VFI has a robust group of financial, business and thought leaders amongst its global board.

MANAGEMENT REPORT (cont'd)

These individuals provide decades of collective experience that drive oversight and direction to the entire network. Through the Governance and Nominating Committee, Audit and Risk Committee, and Social Performance Committee, much of the strategic direction performance and risk oversight and social performance is developed.

MANAGEMENT OVERSIGHT AND RISK

The global centre team of roughly 90 individuals, distributed over 20 locations around the globe, are made up of banking and microfinance specialists along with development leaders. They recognise that in order to improve the lives of the poor through microfinance, we first need top quality MFIs who operate under strict standards and discipline. Now recognised as one of the strongest operators in the world, these global staff provide technical support and oversight combining operating, finance, tax audit and regulatory compliance. This is done with a clear client protection and care overlay which ensures clients build financial acumen within a nurturing development environment.

At VFI, managing strategic, financial, market, liquidity and operational risks is key to meeting our objectives. Our Risk Management Framework guides staff at VFI, and in each of the MFIs, through measuring and evaluating risk. Our Risk Appetite Statement defines how much risk VFI is willing to take on. Our global and local risk registers identify the most significant risks we face and the mitigating strategies to address them.

Senior executives bring their banking experience and discipline, ensuring that risk and operational excellence is provided through structures such as the Management Risk Committee, Performance & Investment Committee, Loan Committee and Asset Liability Committee. Ultimately, our audit section ensures constant investigation from the centre as well as development and oversight of local MFI auditors and annual programmes.

Ongoing connections to both MFIs and lenders ensure lender risk is well understood and managed. Lenders tell us they view the central group as an integral part of the network and that they take comfort in the oversight and controls provided, but also appreciate the innovation and local connection to those living in poverty which ensures an effective mission.

In an ever volatile world, a good example of global disaster risk management is the El Niño recovery lending response set up for a collection of African nations. The UK Government's Department for International Development (DFID) has provided a returnable risk sharing grant which allows quick recovery lending to clients affected by flooding or drought as a result of the El Niño effect.

MONITORING OUR SOCIAL PERFORMANCE

Identifying, collecting and monitoring social performance data helps us at VisionFund keep focused on our goal of impacting children. This is central to our work and allows us to measure our progress towards it.

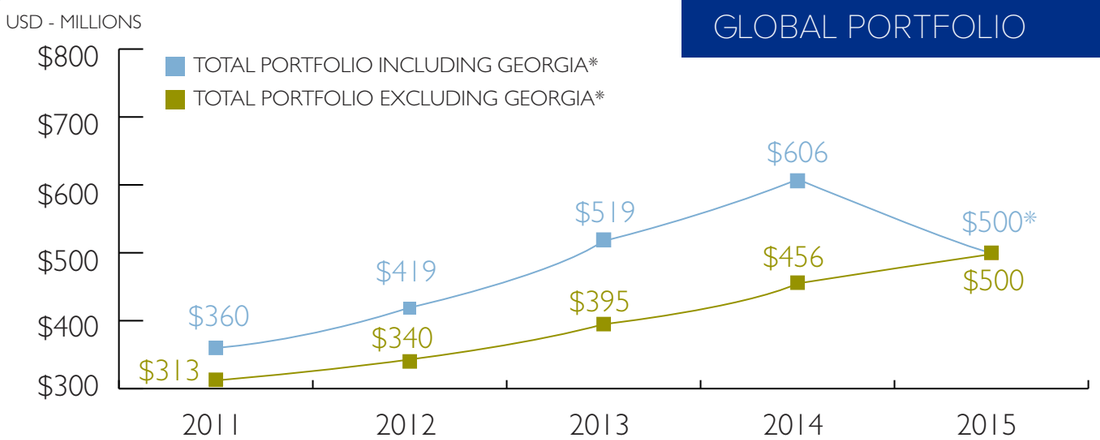
Our social performance scorecard measures include the poverty levels of incoming clients and changes in poverty over time, child numbers and parent-reported outcomes, client education delivered, the gender mix of clients and client satisfaction surveys. These initiatives are being undertaken as we work to dive deeper and discover the effect of our efforts. World Vision has identified child well-being outcomes to assess the success of its development efforts in the field. As World Vision's global microfinance arm, we have begun to gather client data to better understand the impact of our services on clients' children in areas such as improved education, sanitation, drinking water and access to food and healthcare.

ACCOUNTABILITY DISCLOSURES

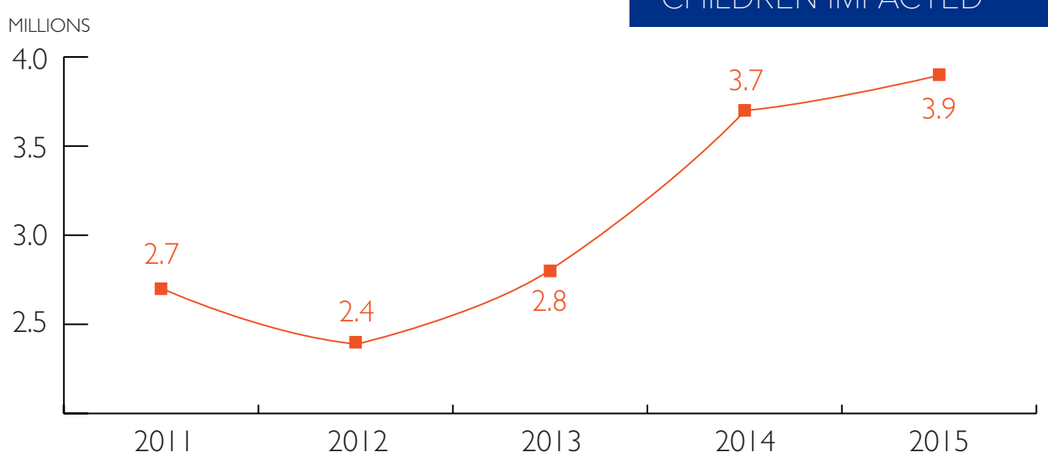
For the latest information and update on our accountability disclosures, please visit: www.vflink.it/accdisc

OUR IMPACT OVER THE YEARS

GLOBAL PORTFOLIO



CHILDREN IMPACTED



* During fiscal year 2015, VisionFund International sold all assets related to its MFI in Georgia. The sale provided the network with capital to redeploy in key target areas in both Africa and Asia. This resulted in an immediate decrease in reported portfolio and affected our five year growth trajectory, as seen in the graph.

FINANCIALS

VisionFund Network Combined Balance Sheet (unaudited)

	VFI and MFI Network	
[Amounts in Thousands]	2015	2014
Assets:		
Cash and investments	$104,941	$106,076
Gross loan portfolio	499,555	606,016
(Impairment loss allowance)	(15,115)	(12,971)
Net loan portfolio	484,439	593,045
Accounts receivable and other assets	40,617	63,790
Total Assets	$629,998	$762,911
Liabilities:		
Borrowings	$341,066	$429,993
Client deposits	39,877	30,113
Accounts payable and other liabilities	37,606	75,719
Total Liabilities	418,549	535,825
Net assets:		
Total Net Assets	211,448	227,086
Total Liabilities and Net Worth	$629,998	$762,911

The above balance sheet represents the combination of VFI and all MFIs in the World Vision network. The audited financial statements of VFI and its consolidated subsidiaries are included on pages 26-41.

AUDITED FINANCIAL STATEMENTS

September 30, 2015 and 2014
(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 controlled subsidiary of World Vision International), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, 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 20% and 16%, respectively, of consolidated total assets at September 30, 2015 and 2014, and total revenues constituting 22% and 23%, 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 the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of VisionFund International and subsidiaries as of September 30, 2015 and 2014, 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.

KPMG LLP

June 16, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2015 and 2014	2015	2014
Assets:		
Cash and cash equivalents	$55,713,264	34,055,088
Investments (note 3)	20,357,767	23,594,824
Interest receivable	6,326,872	4,815,025
Accounts receivable	3,087,897	3,607,952
Loans to Microfinance Institutions, net of allowance for loan losses of $1,356,568 as of September 30, 2015 and 2014, (note 5)	29,271,698	36,514,206
Loans to Microfinance Institution clients, net of allowance for loan losses of $9,071,173 and $5,135,731 as of September 30, 2015 and 2014, respectively (note 5)	294,355,871	257,318,318
Restricted cash and investments (notes 3, 15 and 16)	12,030,240	5,334,017
Property, plant, and equipment, net (note 6)	9,608,632	8,763,300
Other assets	8,335,859	6,903,034
Investments in affiliates (note 7)	600,000	600,000
Assets of subsidiary held for sale (note 11)	—	185,855,203
Total assets	$439,688,100	567,360,967
Liabilities:		
Accounts payable and accrued expenses (note 15)	$15,330,070	35,196,762
Interest payable	9,618,235	3,154,410
Deposits from Microfinance Institution clients	28,877,192	20,765,313
Notes payable (note 8)	246,530,672	214,375,041
Other liabilities	3,365,378	4,100,243
Liabilities of subsidiary held for sale (note 11)	—	146,355,921
Total liabilities	303,721,547	423,947,690
Net assets:		
Unrestricted net assets - Controlling interest (note 9)	122,087,601	124,924,272
Unrestricted net assets - Noncontrolling interest (note 9)	11,537,184	16,010,577
Total unrestricted net assets	133,624,785	140,934,849
Temporarily restricted net assets (note 15)	2,341,768	2,478,428
Total net assets	135,966,553	143,413,277
Total liabilities and net assets	$439,688,100	567,360,967

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Unrestricted net assets:		
Operating revenue:		
Interest, fees, and commission revenue	$113,401,934	91,974,761
Interest, fees, and commission expense (note 10)	(20,975,699)	(16,683,652)
Net financial income	92,426,235	75,291,109
Provision for loan losses (note 5)	(10,766,174)	(3,303,999)
Funds recovered from loans written off	2,186,709	2,652,660
Net financial income after provision for loan losses	83,846,770	74,639,770
Other operating income	1,908,296	1,649,462
Total revenue from operations	85,755,066	76,289,232
Operating expenses (note 10):		
Salaries and benefits	54,071,666	47,977,809
Supplies, copying, and printing	2,598,510	2,156,328
Professional fees	4,954,177	4,245,202
Communication expense	1,994,688	1,558,988
Occupancy expense	6,841,284	5,946,842
Travel and transportation	6,791,051	6,129,354
Depreciation	2,670,492	2,165,294
Training and technical assistance	1,053,124	983,089
Other operating expenses	6,319,157	4,042,037
Total operating expenses	87,294,149	75,204,943
Operating (loss) income before taxes and other nonoperating changes in unrestricted net assets	(1,539,083)	1,084,289
Tax expense (note 10)	2,542,864	2,932,509
Net operating loss	(4,081,947)	(1,848,220)
Other nonoperating changes in unrestricted net assets:		
Unrestricted contributions (note 12)	13,197,940	21,268,054
Amounts granted to affiliated microfinance institutions	(4,049,992)	(3,598,085)
Contributed net assets (notes 9 and 13)	4,246,809	2,820,174
Foreign currency translation losses	(16,796,617)	(2,308,808)
Foreign currency transaction losses	(5,261,815)	(2,009,391)
Net assets released from restriction	136,660	38,327
Impairment loss on acquisition (note 14)	—	(1,379,340)
Gain on sale of subsidiary (note 11)	5,298,898	—
Net income from discontinued operations (note 11)	—	11,124,601
Net change in unrestricted net assets	(7,310,064)	24,107,312
Temporarily restricted net assets:		
Net assets released from restriction	(136,660)	(38,327)
Change in net assets	(7,446,724)	24,068,985
Net assets, beginning of year	143,413,277	119,344,292
Net assets, end of year	$135,966,553	143,413,277

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$(7,446,724)	24,068,985
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net income from discontinued operations	—	(11,124,601)
Gain on sale of subsidiary	(5,298,898)	—
Noncash net assets from contributed entity	(3,772,048)	(2,640,611)
Depreciation expense	2,670,492	2,165,294
Provision for loan losses	10,766,174	3,303,999
Foreign currency revaluation	20,960,719	2,676,002
Gain on forward contracts	(835,241)	(200,996)
Loss on disposal of equipment	141,423	298,860
Change in assets and liabilities:		
Interest receivable	(1,484,834)	(896,288)
Accounts receivable	520,055	3,560,508
Other assets	(1,035,322)	1,718,497
Accounts payable and accrued expenses	(20,386,699)	2, 258,767
Interest payable	6,436,326	648,398
Other liabilities	(734,847)	2,703,041
Net cash provided by operating activities	500,576	28,539,855
Cash flows from investing activities:		
Purchase of equipment	(4,940,105)	(4,756,169)
Distribution of loans	(518,795,107)	(434,048,174)
Proceeds from loan portfolio repayment	458,588,110	374,545,858
Purchases of investments	(54,740,512)	(92,259,246)
Proceeds from sales of investments	59,996,262	84,124,050
Proceeds from sale of subsidiary	53,500,000	—
Taxes and settlement costs from sale of subsidiary	(11,443,326)	—
Net cash used in investing activities	(17,834,678)	(72,393,681)
Cash flows from financing activities:		
Proceeds from notes payable	81,731,543	73,156,276
Payments on notes payable	(42,136,228)	(34,575,177)
Deposits from Microfinance Institution clients	8,111,879	9,622,377
Net cash provided by financing activities	47,707,194	48,203,476
Net increase in cash and cash equivalents	30,373,092	4,349,650
Cash and cash equivalents, beginning of year	34,163,713	29,814,063
Cash and cash equivalents, end of year	$64,536,805	34,163,713
Summary of cash and cash equivalents at end of year:		
Cash and cash equivalents	$55,713,264	34,055,088
Restricted cash and cash equivalents (note 2)	8,823,541	108,625
Total cash and cash equivalents at end of year	$64,536,805	34,163,713
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$14,332,873	15,693,312
Cash paid during the year for taxes	3,208,950	3,047,878

See accompanying notes to consolidated financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

To 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 Republica Dominicana (VFRD)	Dominican Republic	
VisionFund Credo Foundation (VF Credo)	Georgia	
VisionFund Caucasus LLC (VF Caucasus)	Georgia	
Microfinance Organization Credo LLC (MFO Credo)	Georgia	(Note 11)
VisionFund Ghana (VF Ghana)	Ghana	(Note 14)
FUNED VisionFund OPDF (FUNED)	Honduras	(Note 13)
VisionFund Kenya Ltd. (VF Kenya)	Kenya	
VisionFund Ltd. (VF Malawi)	Malawi	
VisionFund Mexico S.A. de C.V., SOFOM, E.N.R. (VF Mexico)	Mexico	
VisionFund Mongolia (VF Mongolia)	Mongolia	(Note 13)
VisionFund AgroInvest LLC (AI Holding)	Montenegro	
MFI Monte Credit LLC (VF Montenegro)	Montenegro	
VisionFund Myanmar	Myanmar	(Note 13)
VisionFund Netherlands I B.V. (Dutch BV1)	Netherlands	
VisionFund Netherlands II B.V. (Dutch BV2)	Netherlands	
EDPYME CrediVision S.A. (CrediVision)	Peru	
VisionFund Rwanda (VF Rwanda)	Rwanda	(Note 14)
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	
VisionFund Tanzania, MFC (VF Tanzania)	Tanzania	
VisionFund Uganda Ltd. (VF Uganda)	Uganda	
VisionFund Zambia Ltd. (VF Zambia)	Zambia	

The primary activity of the subsidiaries is to provide commercially oriented microfinance services aiming to alleviate poverty and stimulate the creation of employment opportunities 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. As of September 30, 2015 and 2014, temporarily restricted net assets relate to project use restrictions on contributions received.

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 the 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, 2015 and 2014:

Country	2015	2014
United States	$37,781,569	6,527,303
Cambodia	26,172,881	21,238,617
Georgia	2,289,447	36,154,282
Montenegro	7,383,142	9,065,449
Azerbaijan	12,990,668	21,098,314
Armenia	5,076,009	5,250,132
Albania	301,629	485,568
Zambia	1,367,333	2,338,470
Mexico	2,386,911	2,738,161
Peru	1,814,355	1,809,567
Netherlands	19,371	21,897
Tanzania	10,773,954	11,984,550
Kenya	3,378,292	3,362,471
Malawi	1,604,158	2,380,721
Uganda	3,064,213	3,521,496
Honduras	3,235,359	2,949,097
Sri Lanka	5,112,336	4,244,560
Rwanda	1,820,490	2,496,467
Ghana	1,506,324	1,288,944
Mongolia	2,965,337	3,405,933
Dominican Republic	2,051,545	1,051,278
Myanmar	2,871,230	—
	$135,966,553	143,413,277

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

(f) Tax Status

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

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall,* and establishes for all entities, including pass-through entities, 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, 2015 and 2014.

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 includes cash and cash equivalents, which are subject to restrictions.

As of September 30, 2015, of the $8,823,541 in restricted cash and cash equivalents, $6,481,773 related to bank accounts held by VF Azercredit which were temporarily blocked by the government (note 17). Other restricted cash related to contributions held for restricted use (Note 15).

(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 Adjustments

Foreign Currency Translation Losses - 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. As of September 30, 2015, and 2014, the net assets of subsidiaries denominated in local currency and subject to translation adjustments, totaled $98,184,984 and $136,885,974, respectively. For the year ended September 30, 2015 and 2014, due to the general appreciation in the exchange rate of the U.S. dollar against the local currencies of the subsidiaries, translation losses totaled $16,796,617 and $2,308,808, respectively.

Foreign Currency Transaction Losses - Foreign currency transaction gains or losses result from transactions in foreign currencies, where the assets and liabilities held in foreign currency are not matched. Fluctuations in the exchange rate between the foreign currency and the local currency result in foreign currency transaction gains or losses. For the year ended September 30, 2015 and 2014, transaction losses totaled $5,261,815 and $2,009,391, respectively.

(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, 2015 and 2014, the Organization had in place foreign currency contracts totaling $20,782,765 and $11,652,948, respectively. As of September 30, 2015 and 2014, the Organization recorded assets of $1,121,834 and $286,593, respectively, as part of other assets 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) Discontinued Operations

Discontinued operations consist of the results of operations of a subsidiary which has been disposed of or classified as held for sale. Cash flows from discontinued operations are not presented in the consolidated statements of cash flows. Proceeds from the sale of discontinued operations are presented in the consolidated statements of cash flows within investing activity.

(n) 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.

(o) 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.

(p) 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.

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. In 2015, investments held in the WVTC were moved into separate bank accounts, which are now classified as cash and cash equivalents. As of September 30, 2015 and 2014, the net asset value of investments is as follows:

	2015	2014
Foreign bank time deposits	$20,357,767	19,153,468
WVTC investment pool	—	4,441,356
Total unrestricted investments	20,357,767	23,594,824
Foreign bank time deposits (restricted, note 16)	3,206,699	2,855,589
WVTC investment pool (restricted, note 15)	—	2,369,803
Total restricted investments	3,206,699	5,225,392
Total investments	$23,564,466	28,820,216

4 FAIR VALUE MEASUREMENTS

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

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

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

The following table presents the placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis (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, 2015.

	Significant other observable inputs (Level 2)
Assets:	
Foreign bank time deposits:	
Tanzania	$5,468,211
Armenia	3,905,746
Kenya	3,167,389
Serbia	3,206,699
Uganda	2,355,922
Peru	1,247,375
Cambodia	997,350
Montenegro	903,882
Ghana	805,304
Mexico	450,122
Rwanda	417,456
Honduras	400,007
Malawi	151,493
Sri Lanka	87,510
Total Investments	$23,564,466
Assets:	
Foreign exchange currency contracts	$1,121,834

The following table presents the placement in the fair value hierarchy of assets 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
Azerbaijan	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

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

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

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, 2015 and 2014, these loans totaled $30,628,266 and $37,870,774, respectively. Interest rates for loans to MFIs by the Organization range from 0% to 14%, depending on the current U.S. interest rates and the currency of the loan. As of September 30, 2015, these loans are scheduled for repayment as follows:

	Principal payment schedule
Fiscal Year:	
2016	$13,921,813
2017	11,505,836
2018	3,950,260
2019	1,250,357
	30,628,266
Less allowance for loan losses	(1,356,568)
Loans to affiliated MFIs, net	$29,271,698

Changes in the allowance for loan losses for the years ended September 30, 2015 and 2014 are as follows:

Allowance for loan losses	2015	2014
Beginning of the year	$1,356,568	2,445,716
Loans written off	—	(1,089,148)
End of year	$1,356,568	1,356,568

Loans to MFIs were concentrated in the following regions as of September 30, 2015 and 2014:

Region of operations	2015	2014
Latin America/Caribbean	$15,744,981	16,629,722
Middle East/Eastern Europe	9,156,303	10,580,190
Asia/Pacific	3,481,406	6,720,949
Africa	2,245,576	3,939,913
	$30,628,266	37,870,774

The Organization evaluates its loans receivable using conforming or nonconforming as the primary credit quality indicator. Nonconforming refers to those loans that are internally classified by the Organization as substandard. These assets pose higher risk and elevated probability of default. Conforming refers to all loans not considered nonconforming. The Organization evaluates various criteria for determining whether a loan is conforming or nonconforming on an annual basis. The table below presents credit quality indicators related to the Organization's loans to affiliated microfinance institutions at September 30, 2015 and 2014:

Risk ratings:	2015	2014
Conforming	$29,090,646	34,793,766
Nonconforming	1,537,620	3,077,008
Total	$30,628,266	37,870,774

The Organization generally evaluates its loans receivable collectively for impairment. These loans are generally current.

(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, 2015 and 2014, the Organization's loans to MFI clients totaled $303,427,044 and $262,454,049, respectively. The allowance for loan loss as of September 30, 2015 and 2014 was $9,071,173 and $5,135,731, 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 $200 to $3,000. These loans have terms commonly ranging from 1 to 72 months, their weighted average maturities being approximately 18 months. Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. For the years ended September 30, 2015 and 2014, the weighted average annual interest rates charged were 33% and 39%,respectively.

Loans to MFI clients were concentrated in the following regions as of September 30, 2015 and 2014:

Region of operations	2015	2014
Asia/Pacific	$151,097,261	94,958,996
Middle East/Eastern Europe	96,540,372	112,903,364
Latin America/Caribbean	28,329,085	26,708,386
Africa	27,460,326	27,883,303
	$303,427,044	262,454,049

An aging analysis of loans to microfinance institutions clients at September 30, 2015 and 2014, is as follows:

	2015	2014
Current or less than 30 days past due	$290,615,990	259,066,440
31-60 days past due	4,469,420	1,132,288
61-90 days past due	3,006,511	728,977
91 days or more past due	5,335,123	1,526,344
	$303,427,044	262,454,049

The Organization generally evaluates its credit quality based on the aging of loans and considers loans over 91 days as impaired. Loans to microfinance institution clients are evaluated collectively for impairment. There were no loans accruing interest included in 91 days or more past due.

Changes in the allowance for loan losses for the years ended September 30, 2015 and 2014 are as follows:

Allowance for loan losses	2015	2014
Beginning of year	$5,135,731	4,154,006
Loans written off	(5,288,760)	(3,012,583)
From contributed entity	168,307	491,270
Provision for loan losses	10,766,174	3,303,999
Currency valuation change	(1,710,279)	199,039
End of year	$9,071,173	5,135,731

As of September 30, 2015, based on historical loan performance and aging analysis, the risks related to losses on the 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, 2015 and 2014:

	2015	2014
Land and buildings	$1,137,303	883,714
Equipment	4,704,452	4,942,057
Vehicles	4,382,684	4,390,592
Computers and software	8,374,483	7,198,088
	18,598,922	17,414,451
Less accumulated depreciation	(8,990,290)	(8,651,151)
Total	$9,608,632	8,763,300

7 INVESTMENTS IN AFFILIATES

Investments in affiliates represent the Organization's equity ownership in the VisionFund Ecuador, a World Vision controlled MFIs. 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 7% ownership in the shares of VF Ecuador as of September 30, 2015 (note 18).

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, 2015, of the $246,530,672 outstanding, $23,000,000 was lent to the Organization by World Vision. As of September 30, 2014, of the $214,375,041 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
6	$75,827,103	0.0% to 5.0%
107	127,254,376	5.1% to 10.0%
28	32,975,423	10.1% to 15.0%
9	10,473,770	over 15.0%
	$246,530,672	

These loans are scheduled for repayment as follows:

	Principal payment schedule
Fiscal year:	
2016	$121,522,150
2017	70,371,928
2018	37,922,114
2019	8,574,448
2020	471,752
2021 and beyond	7,668,280
	$246,530,672

As of September 30, 2015, notes payable are unsecured with the exception of a total of $2,347,722 in loans that have been guaranteed by the assets of subsidiaries. Due to restrictions on the bank accounts related to an ongoing investigation into several non-governmental organizations and affiliated entities in the country of Azerbaijan (note 17), beginning in October 2014, VF Azercredit was not able to pay its debt obligations to foreign lenders according to the initial contractual terms. As a result, certain financial and non-financial covenants stipulated in the borrowing agreements with the lenders were breached during the year ended September 30, 2015. However, the lenders agreed not to take any enforcement action against VF Azercredit in relation to any facility agreement by signing Standstill Agreements. The First Standstill Agreement was signed on December 24, 2014. According to this agreement, lenders had assented to standstill in relation to their contractual rights until the earliest date the situation was clarified or February 28, 2015 ("Final date"). Further, due to extension of the investigation process, amendments were made to the Standstill Agreement which extended the Final date to December 31, 2019. As of September 30, 2015, notes payable of $62,380,837 were lent to VF Azercredit. The notes payable of VF Azercredit are recorded based on their contractual maturity terms (note 18).

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, 2015, 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, 2015, the Organization owned 100% of VF Lanka.

In the year ended September 30, 2014, the Organization received an additional ownership of 1.1% in CrediVision as a transfer from the noncontrolling interest owner. As of September 30, 2015, the Organization owned 96.1% of CrediVision.

Changes in unrestricted net assets for the year ended September 30, 2015 are as follows:

	Total	Controlling interest	Noncontrolling interest
Balance October 1, 2014	$140,934,849	124,924,272	16,010,577
Transfers to non-controlling interest	—	(363,053)	363,053
Deficiency of revenues over expenses	(11,556,873)	(6,720,427)	(4,836,446)
Contributed net assets (note 13)	4,246,809	4,246,809	—
Balance September 30, 2015	$133,624,785	122,087,601	11,537,184

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

	Total	Controlling interest	Noncontrolling 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

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, 2015, of the $125,628,878 in total expenses (excluding foreign currency adjustments and impairment losses), $112,088,000 was incurred in the course of program services and $13,540,878 was incurred in the course of supporting services by the Organization. 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.

11 SALE OF SUBSIDIARY

In October 2014, 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. 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.

The balances relating to MFO Credo as of and for the year ended September 30, 2014 were as follows:

Assets classified as held for sale:	
Cash and cash equivalents	$12,936,249
Investments in foreign bank time deposits (Level 2 investments)	16,288,600
Loans to Microfinance Institution clients, net of allowance for loan losses of $937,465	147,474,653
Interest receivable	2,545,575
Accounts receivable and other assets	3,117,877
Property, plant, and equipment, net	3,492,249
Total	$185,855,203
Liabilities classified as held for sale:	
Notes payable, short term	$38,634,228
Notes payable, long term	95,851,922
Interest payable	2,195,167
Accounts payable and other	9,674,604
Total	146,355,921
Results of discontinued operations:	
Revenue	$50,166,747
Expenses	(36,651,322)
Net income from discontinued operations, before tax	13,515,425
Tax expense	(2,390,824)
Net income from discontinued operations	$11,124,601

12 CONTRIBUTIONS

Contributions, excluding contributed net assets, for the years ended September 30, 2015 and 2014 totaled $13,197,940 and $21,268,054, respectively.

In the year ended September 30, 2015, the Organization received contributions from WVI totaling $1,873,616. Of this amount, $454,556 related to the transfer of ownership in VFRD.

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:

	2015	2014
Unrestricted:		
World Vision United States	$5,837,719	8,135,212
World Vision International	1,873,616	8,886,198
World Vision Canada	480,875	229,235
World Vision Uganda	456,843	484,404
World Vision United Kingdom	287,267	—
World Vision Peru	273,629	—
World Vision Australia	243,403	—
World Vision Singapore	233,035	141,360
World Vision New Zealand	231,111	307,986
World Vision Germany	201,924	85,225
World Vision Switzerland	180,000	—
World Vision Hong Kong	100,000	100,000
World Vision Kenya	52,816	145,160
World Vision Korea	23,129	14,913
World Vision Albania	22,452	37,808
World Vision Malawi	20,731	152,384
World Vision Ghana	5,847	54,698
World Vision Zambia	—	567,492
World Vision Rwanda	—	314,374
World Vision Mongolia	—	190,618
World Vision Japan	—	15,000
Nonaffiliated Aid Agencies		
Opportunity International UK	1,356,944	1,395,648
Other	1,316,599	10,339
Total unrestricted	$13,197,940	21,268,054

13 CONTRIBUTED NET ASSETS

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

During the year ended September 30, 2015, VF Myanmar was incorporated with 100% equity owned by the Organization. During the year ended September 30, 2015, VF Myanmar recognized contributed net assets from the transfer of assets and liabilities from WVI totaling $4,246,809.

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.

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. As of September 30, 2015 and 2014, the Organization own 72.50% of VF Rwanda.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

As of September 30, 2015 and 2014, the Organization has accounts payable to World Vision totaling $454,313 and $23,872,792, respectively. These amounts were for operating expenses paid by World Vision on behalf of the Organization.

As of September 30, 2015 and 2014, the Organization had available lines of credit from World Vision totaling $23,000,000 and $30,000,000, respectively. As of September 30, 2015 and 2014, the Organization has drawn $23,000,000 and $30,000,000, respectively, on these lines of credit (note 8). The lines of credit bear interest at rates ranging from 2.07% to 2.25%, respectively. The lines of credit are unsecured and mature on June 15, 2016 and November 20, 2016.

As of September 30, 2015 and 2014, the Organization has notes payable to World Vision Germany in the amounts of $2,234,800 and $2,526,200, respectively, which bear interest at rates of 3%. The loans mature on June 30, 2016 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, 2015 and 2014, the Organization maintained restricted funds related to this contribution totaling $2,341,268 and $2,369,803, 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, 2015, the value of the guaranteed loan portfolio totaled $13,442,085. These loans are not included on the consolidated statements of financial position. As of September 30, 2015, the value of deposits held by VF Serbia as security for these loans totaled $3,206,699. These deposits are reported as investments on the consolidated statements of financial position (note 3).

17 AZERBAIJAN CRIMINAL INVESTIGATION

In October 2014, a number of local non-governmental organizations (NGOs) in the country of Azerbaijan, including representatives and branches of international NGOs, became the subject of a criminal investigation by the government of Azerbaijan. As part of the investigation into World Vision Azerbaijan, VF Azercredit's main bank accounts were 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 (note 18).

18 SUBSEQUENT EVENTS

Subsequent events have been evaluated from September 30, 2015 through June 16, 2016. In October 2015, the restricted bank accounts of VF Azercredit were released in accordance with new Court Orders (note 17). Beginning in October 2015, VF Azercredit started to pay its debt obligations to all foreign lenders.

In December 2015, the Central Bank of the Republic of Azerbaijan announced a devaluation of its currency from 1.05 to 1.55 manats to the U.S. dollar. The Organization believes that this devaluation, combined with general market and economic uncertainty in the country of Azerbaijan, represents a significant deterioration in the operating environment for VF Azercredit. This deterioration has impacted the ability of VF Azercredit to collect loans issued to MFI clients. The Organization believes that these factors raise concerns about the sustainability of VF Azercredit. It is possible that the realized value of assets may not be sufficient to cover outstanding liabilities, which would result in a loss of net assets. As of September 30, 2015, VF Azercredit's reported total assets were $87.9 million, which included $21.9 million in cash and restricted bank accounts and $62.1 million in net loans to MFI clients. As of September 30, 2015, VF Azercredit's reported total liabilities were $74.9 million, which included $62.4 million in notes payable to third parties and $7.0 million in interest payable. As of September 30, 2015, the reported net assets of VF Azercredit totaled $13.0 million, of which $6.8 million related to the Organization's controlling interest and $6.2 million related to noncontrolling interest.

In May 2016, the lenders have agreed to extend the Standstill Agreement through a date no later than December 31, 2019 (note 8). The Standstill Agreement has also been amended to describe the terms of payments to lenders and agreed levels of debt forgiveness by lenders to ensure VF Azercredit's continued compliance with minimum solvency requirements in Azerbaijan.

In December 2015, the Organization acquired majority ownership in VisionFund Ecuador, a shareholding company established in the country of Ecuador (note 7).

OUR GLOBAL FAMILY

VisionFund is the world's largest network of Christian microfinance institutions (MFIs). Our MFIS are located across the globe in Africa, Asia, Latin America and Eastern Europe.


GHANA


KENYA


MALAWI


MALI


RWANDA


SENEGAL


TANZANIA


UGANDA


ZAMBIA


CAMBODIA


INDIA


MONGOLIA


MYANMAR


PHILIPPINES


SRI LANKA


VIETNAM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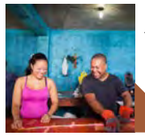
DOMINICAN REPUBLIC


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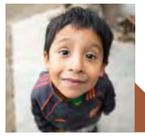
PERU


ALBANIA


ARMENIA


AZERBAIJAN


BOSNIA


KOSOVO


MONTENEGRO


SERBIA

- AFRICA
- ASIA
- LATIN AMERICA
- EASTERN EUROPE

When businesses flourish and jobs are created, parents are able to give children like this Honduran boy, Francisco, a greater chance to grow up healthier, better educated and living in stronger communities.

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