



VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2009 and 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 700
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Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
VisionFund International and Subsidiaries:

We have audited the accompanying consolidated statements of financial position of VisionFund International and subsidiaries (a wholly owned subsidiary of World Vision International) as of September 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of VisionFund International's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, 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, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 2(p) and 4 to the consolidated financial statements, the Organization adopted the measurement date provisions of FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, included in ASC Topic 820, *Fair Value Measurements and Disclosures*, as of October 1, 2008.

KPMG LLP

February 17, 2010

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

September 30, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 25,785,641	6,207,794
Investments (note 3)	15,894,231	10,910,537
Loans to Microfinance Institutions, net of allowance for loan losses of \$1,171,873 and \$1,139,087 as of September 30, 2009 and 2008, respectively (note 5)	16,428,055	15,409,409
Loans to Microfinance Institution clients, net of allowance for loan losses of \$5,834,552 and \$2,157,250 as of September 30, 2009 and 2008, respectively (note 5)	148,898,172	147,110,742
Interest receivable	3,524,273	2,368,932
Accounts receivable	1,675,101	1,196,103
Restricted investments (note 3)	2,400,000	2,400,000
Property, plant, and equipment, net (note 6)	2,977,513	2,508,260
Other assets	4,809,861	761,569
Investments in affiliate (note 6)	1,117,962	581,412
Total assets	\$ 223,510,809	189,454,758
Liabilities		
Accounts payable and accrued expenses	\$ 3,703,992	2,387,063
Notes payable (note 8)	151,742,000	126,717,290
Interest payable	2,033,959	1,918,304
Deferred income	279,846	783,121
Unrealized loss on foreign exchange contracts	236,367	494,864
Other liabilities	1,078,390	1,230,287
Total liabilities	159,074,554	133,530,929
Net assets		
Unrestricted net assets	62,036,255	53,523,829
Temporarily restricted net assets	2,400,000	2,400,000
Total net assets	64,436,255	55,923,829
Total liabilities and net assets	\$ 223,510,809	189,454,758

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended September 30, 2009 and 2008

	2009	2008
Unrestricted net assets:		
Operating revenue:		
Interest, fees, and commission revenue	\$ 46,898,570	29,999,466
Interest, fees, and commission expense	(12,105,642)	(8,288,988)
Net financial income	34,792,928	21,710,478
Provision for loan losses (note 5)	(7,644,534)	(1,176,560)
Funds recovered from loans written off	325,843	60,429
Net financial income after provision for loan losses	27,474,237	20,594,347
Other operating income	397,062	177,516
Total revenue from operations	27,871,299	20,771,863
Operating expense:		
Salaries and benefits	14,995,005	9,908,326
Supplies, copying, and printing	844,939	657,614
Professional fees	1,814,113	1,565,938
Communication expense	729,551	494,035
Occupancy expense	1,926,892	1,031,362
Travel and transportation	2,183,957	1,824,511
Depreciation	761,920	468,174
Training and technical assistance	463,176	385,495
Other operating expenses	2,293,321	816,030
Total operating expenses	26,012,874	17,151,485
Operating income before taxes and contributions	1,858,425	3,620,378
Tax expense (note 2)	1,415,501	696,083
Net operating income before contributions	442,924	2,924,295
Contributions for operations (note 10)	3,135,000	2,676,966
Net operating income	3,577,924	5,601,261
Other nonoperating changes in unrestricted net assets:		
Unrestricted contributions (note 10)	7,451,442	6,040,848
Amounts granted to affiliated microfinance institutions	(1,935,544)	(3,638,481)
Contributed net assets (note 11)	1,605,029	2,874,244
Foreign currency adjustments	(3,097,854)	229,833
Other nonoperating income (note 7)	911,429	—
Gain on sale of investments in affiliate (note 7)	—	2,709,610
Total change in unrestricted net assets	8,512,426	13,817,315
Net assets, beginning of year	55,923,829	42,106,514
Net assets, end of year	\$ 64,436,255	55,923,829

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 8,512,426	13,817,315
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash net assets from contributed entity	(792,571)	(2,533,935)
Depreciation expense	761,920	468,174
Provision for loan losses	7,644,534	1,176,560
Revaluation of foreign currency loans	337,959	265,803
Gain on forward contracts	(258,497)	(307,972)
Gain on sale of investments in affiliate	—	(2,709,610)
Loss on disposal of equipment	28,859	—
Change in assets and liabilities:		
Interest receivable	(1,013,633)	(1,353,466)
Accounts receivable	(478,998)	(953,217)
Other assets	(1,941,979)	(159,429)
Investments in affiliate	(536,550)	—
Accounts payable and accrued expenses	1,163,150	682,535
Interest payable	(15,247)	793,174
Deferred income	(503,275)	(1,327,408)
Other liabilities	(151,897)	906,869
Net cash provided by operating activities	12,756,201	8,765,393
Cash flows from investing activities:		
Purchase of equipment	(1,080,066)	(1,486,116)
Distribution of loans	(170,992,547)	(151,969,308)
Proceeds from loan portfolio repayment	165,863,312	98,893,846
Purchases of investments	(43,977,343)	(24,711,769)
Proceeds from sales of investments	39,828,649	23,305,052
Proceeds from sale of investments in affiliate	—	3,474,225
Net cash used in investing activities	(10,357,995)	(52,494,070)
Net cash from financing activities:		
Proceeds from notes payable	52,594,885	48,625,457
Payments on notes payable	(35,415,244)	(8,290,857)
Net cash provided by financing activities	17,179,641	40,334,600
Net increase (decrease) in cash and cash equivalents	19,577,847	(3,394,077)
Cash and cash equivalents, beginning of year	6,207,794	9,601,871
Cash and cash equivalents, end of year	\$ 25,785,641	6,207,794
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 11,989,987	6,962,767
Cash paid during the year for taxes	1,322,471	729,595
Supplemental schedule of noncash transactions:		
Investments in affiliate	\$ —	581,412

See accompanying notes to consolidated financial statements.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(1) Organization and Principal Activities

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

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

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

- (1) VisionFund Cambodia Ltd. (VF Cambodia) – a limited liability shareholding company established in the country of Cambodia, 99.99% owned.
- (2) VisionFund Credo Foundation (VF Credo) – a nonprofit foundation established in the country of Georgia, which owns
 - a. VisionFund Caucasus LLC (VF Caucasus) – a limited liability company established in the country of Georgia, 100% owned; and
 - b. Microfinance Organization Credo LLC (MFO Credo) – a limited liability company established in the country of Georgia, 100% owned.
- (3) VisionFund AgroInvest LLC (VF Holding) – a limited liability holding company established in the country of Montenegro, which owns
 - a. AgroInvest Fond LLC (VF Serbia) – a limited liability company established in the country of Serbia, 100% owned; and
 - b. AgroInvest VFI LLC (VF Montenegro) – a limited liability company established in the country of Montenegro, 100% owned (note 11).
- (4) VisionFund Azercredit LLC (VF Azercredit) – a limited liability company established in the country of Azerbaijan, 100% owned (note 11).
- (5) SEF International Universal Credit Organization LLC (SEF) – a limited liability company established in the country of Armenia, 100% owned (note 11).

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

The primary activity of the subsidiaries is to provide commercially oriented microfinance services aiming to alleviate poverty and stimulate the creation of employment opportunities for the poor particularly in areas of World Vision ministry.

(2) Summary of Significant Accounting Policies

(a) *Basis of Consolidation*

The consolidated financial statements of the Organization include the accounts of VFI and its subsidiaries, which are controlled and owned by VFI. All significant intercompany accounts and transactions have been eliminated.

(b) *Basis of Presentation*

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting. Net assets of the Organization are reported within the following categories:

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

Temporarily restricted net assets – Temporarily restricted net assets represent contributions and other inflows of assets, which are subject to donor-imposed restrictions that can be fulfilled by actions of the Organization or by the passage of time.

Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets. A restriction expires when the stipulated time period has elapsed, when the purpose for which the resource was restricted has been fulfilled, or both.

(c) *Revenue Recognition and Net Asset Contributions*

Revenue is recognized when it is realized or realizable, and earned. This concept is applied to the key revenue generating activities of the Organization as follows:

Interest, Fees, and Commissions – Interest from interest-bearing assets is recognized on an accrual basis over the life of the asset based on a constant effective interest rate. Fees and commissions are recognized as income using the effective interest rate.

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

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

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

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

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

(d) Amounts Granted to Affiliated MFIs

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

(e) Geographic Area of Operations

VFI's mission of providing financial services to the poor takes the Organization to various foreign regions. Included in the accompanying consolidated statements of financial position are the net assets of each entity, which are located in the following countries with the following net asset balances, as of September 30, 2009 and 2008:

<u>Entity</u>	<u>Country</u>	<u>2009</u>	<u>2008</u>
VFI	United States	\$ 24,051,629	20,749,554
VF Cambodia	Cambodia	6,635,991	4,380,457
VF Credo	Georgia	3,875,326	3,086,378
VF Holding	Montenegro	13,356,205	15,470,410
VF Serbia	Serbia	3,325,024	5,011,630
VF Montenegro	Montenegro	7,407,086	4,491,442
VF Azercredit	Azerbaijan	4,301,248	2,733,958
SEF	Armenia	1,483,746	—
Total		<u>\$ 64,436,255</u>	<u>55,923,829</u>

(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.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

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

(g) *Cash and Cash Equivalents*

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

(h) *Investments*

Investments are recorded at fair value and are managed primarily by World Vision. Investments are held until funds are needed for lending and funding. 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 microfinance institutions, 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 microfinance institution 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 an expense as incurred.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

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

(k) *Foreign Currency Translation Adjustments*

The assets and liabilities of the subsidiaries are generally denominated in each country's local currency and translated into U.S. dollars at period-end exchange rates, where applicable. The accompanying consolidated statements of activities and consolidated statements of cash flows are translated using average exchange rates during the respective periods. The resulting translation adjustments are recorded as nonoperating changes in unrestricted net assets in the accompanying consolidated statements of activities.

(l) *Foreign Exchange Currency Contracts*

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

At September 30, 2009 and 2008, the Organization had in place foreign currency contracts totaling \$8,009,625 and \$9,485,913, respectively. In 2009 and 2008, the Organization recorded liabilities of \$236,367 and \$494,864, respectively, associated with foreign exchange currency contracts. The resulting losses and gains are recorded as nonoperating changes in unrestricted net assets in the accompanying consolidated statements of activities.

(m) *Deferred Income*

Deferred income represents loan origination or commission fees received in advance of amounts earned and recognized.

(n) *Use of Estimates*

The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates relate primarily to the determination of the allowance for loan losses.

(o) *Risks and Uncertainties Related to Investments*

Investments securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(p) Recently Adopted Accounting Standards

On October 1, 2008, the Organization adopted the provisions of FASB Statement No. 157, *Fair Value Measurements*, included in ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 (Statement 157) also establishes a framework for measuring fair value and expands disclosures about fair value measurements (see note 4).

(q) Reclassification

Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 presentation. There was no impact on the previously reported changes in net assets of the Organization.

(3) Investments

Short-term investments consist primarily 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, 2009 and 2008, the fair value of investments is as follows:

	<u>2009</u>	<u>2008</u>
WVTC investment pool	\$ 10,454,012	10,637,926
WVTC investment pool (restricted, note 12)	2,400,000	2,400,000
Foreign bank time deposits	5,440,219	272,611
Total investments	<u>\$ 18,294,231</u>	<u>13,310,537</u>

(4) Fair Value Measurements

The Organization adopted ASC Topic 820 (Statement 157) on October 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 (Statement 157) 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.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

- 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 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, 2009:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:			
Cash and cash equivalents	\$ 25,785,641	25,785,641	—
Investments:			
Mutual funds:			
U.S. government securities	6,419,074	6,419,074	—
U.S. Treasury	4,839,767	4,839,767	—
Money market fund	1,109,901	1,109,901	—
Foreign currency time deposits	485,270	—	485,270
Foreign bank time deposits:			
Georgia	4,300,000	—	4,300,000
Armenia	1,140,219	—	1,140,219
Total investments	\$ 18,294,231	12,368,742	5,925,489
Liabilities:			
Foreign exchange currency contracts	\$ 236,367	—	236,367

For the valuation of foreign currency time deposits and foreign bank time deposits at September 30, 2009, the Organization used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

The Organization holds some liabilities classified within Level 2, in which the fair value is determined through the use of models or other valuation methodologies. Level 2 liabilities include foreign exchange currency contracts.

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Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(5) Loan Portfolio

(a) Loans to Affiliated Microfinance Institutions

Amounts in loans to MFIs represent funds lent by the Organization to affiliated, independent MFIs for further on-lending to micro-entrepreneurs. As of September 30, 2009 and 2008, these loans totaled \$17,599,928 and \$16,548,496, respectively. Interest rates for loans to MFIs by the Organization range from 0.00% – 16.5%, depending on the current U.S. interest rates and the currency of the loan. As of September 30, 2009, these loans are scheduled for repayment as follows:

		Principal repayment schedule
Year:		
2010	\$	4,069,517
2011		5,563,546
2012		2,192,159
2013		1,850,962
2014		3,923,744
		17,599,928
Less allowance for loan loss		(1,171,873)
Loans to affiliated MFI's, net	\$	16,428,055

Changes in the allowance for loan losses for the years ended September 30, 2009 and 2008 are as follows:

Allowance for loan loss		2009	2008
Beginning of the year	\$	1,139,087	981,698
Loans written off		(113,876)	—
Provision for loan loss		146,662	157,389
End of year	\$	1,171,873	1,139,087

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(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, 2009 and 2008, the Organization's loans to MFI clients totaled \$154,732,724 and \$149,267,992, respectively. The allowance for loan loss as of September 30, 2009 and 2008 was \$5,834,552 and \$2,157,250, 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 \$4,300. These loans have terms commonly ranging from 3 to 72 months, their weighted average maturities being approximately two years. Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. The average interest rates by country are as follows:

<u>Subsidiary</u>	<u>Operations</u>	<u>2009</u>	<u>2008</u>
VF Cambodia	Cambodia	34%	36%
VF Credo	Georgia	33	31
VF Serbia	Serbia	36	27
VF Montenegro	Montenegro	21	21
VF Azercredit	Azerbaijan	37	37
SEF	Armenia	22	—

Changes in the allowance for loan losses for the years ended September 30, 2009 and 2008 are as follows:

<u>Allowance for loan loss</u>	<u>2009</u>	<u>2008</u>
Beginning of the year	\$ 2,157,250	1,302,740
Loans written off	(4,033,021)	(222,376)
From contributed entity	129,690	25,776
Provision for loan loss	7,497,872	1,019,171
Currency valuation change	82,761	31,939
End of year	<u>\$ 5,834,552</u>	<u>2,157,250</u>

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land and buildings	\$ 616,981	550,024
Equipment	919,101	716,836
Vehicles	2,213,336	1,688,310
Computers and software	1,350,812	1,080,472
	<u>5,100,230</u>	<u>4,035,642</u>
Total accumulated depreciation	<u>(2,122,717)</u>	<u>(1,527,382)</u>
Total	<u>\$ 2,977,513</u>	<u>2,508,260</u>

(7) Investments in Affiliate

Investments in affiliate represent the Organization's equity ownership in the following World Vision controlled microfinance institutions:

- (1) Vision Finance Company, Rwanda – For the years ended September 30, 2009 and 2008, the Organization owned preferred, nonvoting shares totaling \$781,412 and \$581,412, respectively. These investments are recorded at cost.
- (2) FUNED VisionFund OPDF, Honduras – For the years ended September 30, 2009 and 2008, the Organization owned equity totaling \$336,550 and \$0, respectively. These investments are recorded at cost.

During the year ended September 30, 2008, the Organization acquired stocks of an affiliated MFI in the country of Romania. The Organization also sold its controlling interest and recognized a gain on sale of \$2.7 million.

Included in other nonoperating income and receivables as of and for the year ended September 30, 2009, is \$911,429 relating to amounts previously written off that were subsequently collected related to the sale of the affiliated MFI in Romania.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(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, 2009, of the \$151,742,000, \$18,800,000 was lent to the Organization by World Vision. As of September 30, 2008, of the \$126,717,290, \$20,100,000 was lent to the Organization by World Vision. Interest rates range from 0% to 18.8%. These loans are scheduled for repayment as follows:

	Principal payment schedule
Year:	
2010	\$ 42,532,208
2011	73,093,379
2012	25,183,505
2013	3,825,931
2014 and beyond	7,106,977
	\$ 151,742,000

As of September 30, 2009, notes payable are unsecured with the exception of loans granted by HSBC Armenia to SEF totaling \$1,423,859. According to this agreement, collateral has been provided as a first priority guarantee included in other assets as follows:

Guarantor	Assets guaranteed in U.S. dollars equivalent
SEF International UCO LLC	\$ 1,566,245

(9) Program and Supporting Expenses

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

For the year ended September 30, 2009, of the \$49,114,095 in total expenses, \$44,483,383 was incurred in the course of program services and \$4,630,712 was incurred in the course of supporting services by the Organization. For the year ended September 30, 2008, of the \$30,951,597 in total expenses, \$27,542,030 was incurred in the course of program services and \$3,409,567 was incurred in the course of supporting services by the Organization.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(10) Contributions

Contributions, excluding contributed net assets, for the years ended September 30, 2009 and 2008 totaled \$10,586,442 and \$8,717,814, respectively. Contributions directed for the operations of the Organization were from the following:

	2009	2008
World Vision International	\$ 3,080,000	2,552,937
World Vision Germany	20,000	—
World Vision Canada	20,000	—
World Vision Switzerland	15,000	—
World Vision Cambodia	—	62,800
Nonaffiliated Aid Agencies	—	61,229
	\$ 3,135,000	2,676,966

World Vision provides support to the Organization by making available personnel, space, and financial and administrative support. Financial support is included in contributions for operations and the associated expense is included in operating expenses. The total of this support for the years ended September 30, 2009 and 2008 was \$3,080,000 and \$2,552,937, respectively.

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

	2009	2008
Unrestricted:		
World Vision Canada	\$ 3,780,114	735,136
World Vision United States	2,823,782	4,538,304
World Vision New Zealand	338,032	340,981
World Vision United Kingdom	299,464	—
World Vision Azerbaijan	32,490	—
World Vision Germany	19,280	—
World Vision Australia	—	397,855
World Vision Singapore	—	28,572
Nonaffiliated Aid Agencies	158,280	—
Total unrestricted	\$ 7,451,442	6,040,848

(11) Contributed Net Assets

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

During the year ended September 30, 2009, 100% ownership in SEF was contributed to the Organization. The total contributed net assets recognized were \$1,605,029.

VISIONFUND INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

On September 30, 2008, the Organization purchased 100% ownership of VF Azercredit from World Vision for \$5,000. The total net assets of VF Azercredit on the date of sale were \$2,733,958. The difference of \$2,728,958 was recognized as contributed net assets.

During the year ended September 30, 2008, 1% of VF Montenegro was contributed to VF Holding and the total contributed net assets recognized were \$145,286.

(12) Other Liabilities and Contingencies

On August 30, 2006, the Organization entered into an agreement, collateralizing 110% of a loan from a third-party lender to an affiliated MFI in India to support micro-economic development for the victims of the tsunami in India up to the amount of \$2,400,000. The balance of the collateralized loan as of September 30, 2009 and 2008 was \$864,893 and \$666,111, respectively.

(13) Related-Party Transactions

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

The Organization has available lines of credit from World Vision totaling \$25,000,000 as of September 30, 2009 and 2008. As of September 30, 2009 and 2008, the Organization has drawn \$18,800,000 and \$20,100,000, respectively, on these lines of credit (see note 8). The lines of credit bear interest at rates ranging from 3.3% to 5.2%. The lines of credit are unsecured and mature on February 1, 2010 and June 30, 2011.

The Organization holds a loan from World Vision New Zealand for \$361,600 at 0.00% interest. The loan matures June 10, 2010. Additionally, the Organization holds two loans from World Vision Germany totaling \$1,830,000, which bear interest rates of 2.29% and 2.50%. These loans mature on June 30, 2012.

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