KPMG

# OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Financial Statements

December 31, 2014
(with comparative totals for 2013)

(With Independent Auditors' Report Thereon)

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

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**KPMG LLP**
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Chicago, IL 60601-6436

# Independent Auditors' Report

The Board of Directors
Opportunity International, Inc.:

We have audited the accompanying consolidated financial statements of Opportunity International, Inc. and its Affiliates, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the year 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 audit. We did not audit the financial statements of certain subsidiaries, which statements reflect total assets constituting 16 percent of consolidated total assets at December 31, 2014, and total revenues constituting 15 percent of consolidated total revenues for the year then ended. Those statements, which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, were audited by other auditors in accordance with International Standards on Auditing, whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of those subsidiaries, which conform those financial statements to U.S. generally accepted accounting principles. Our opinion, insofar as it relates to the amounts included for those subsidiaries, prior to the conversion adjustments, is based solely on the reports of the other auditors. We conducted our audit 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 audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Opportunity International, Inc. and Affiliates as of December 31, 2014, and the changes in their financial position, their cash flows, and their functional expenses for the year then ended in accordance with U.S. generally accepted accounting principles.

***Report on Summarized Comparative Information***

We have previously audited the Opportunity International, Inc. and Affiliates' 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

June 29, 2015
Chicago, Illinois

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Financial Position

December 31, 2014
(with comparative totals for 2013)

| | | 2014 | | | | |
|---|---|---|---|---|---|---|
| **Assets** | | **Charitable activities** | **Banking activities** | **Eliminations** | **Total** | **2013** |
| Cash and cash equivalents | $ | 18,746,027 | 74,746,251 | (735,553) | 92,756,725 | 67,368,785 |
| Restricted cash and investments: | | | | | | |
| Cornerstone Fund | | 6,087,219 | — | — | 6,087,219 | 5,867,591 |
| Other | | 5,552,497 | — | — | 5,552,497 | 3,116,089 |
| Pledges receivable, net | | 27,381,375 | — | — | 27,381,375 | 28,295,920 |
| Investments, at fair value | | 835,465 | — | — | 835,465 | 2,716,425 |
| Notes receivable, net | | 21,161,922 | — | (18,472,411) | 2,689,511 | 3,076,995 |
| Loans receivable, net | | — | 202,108,761 | — | 202,108,761 | 210,384,519 |
| Other receivables, net | | 2,315,082 | — | (1,257,503) | 1,057,579 | 684,384 |
| Donor-advised assets | | 301,605 | — | — | 301,605 | 312,017 |
| Prepaid expenses and other assets | | 3,629,716 | 19,866,220 | (500,000) | 22,995,936 | 15,640,801 |
| Investment in other institutions | | 9,364,763 | — | (2,499,513) | 6,865,250 | 11,586,557 |
| Building, furniture, and equipment, net | | 1,163,065 | 22,624,397 | — | 23,787,462 | 26,763,071 |
| Total assets | $ | 96,538,736 | 319,345,629 | (23,464,980) | 392,419,385 | 375,813,154 |
| **Liabilities and Net Assets** | | | | | | |
| Accounts payable and accrued liabilities | $ | 12,372,553 | 20,723,063 | (3,110,102) | 29,985,514 | 34,351,466 |
| Notes payable | | 36,850,198 | 70,562,703 | (18,663,922) | 88,748,979 | 73,752,472 |
| Deferred revenue | | 400,551 | 8,436,773 | (12,500) | 8,824,824 | 4,425,024 |
| Deposits from customers | | — | 165,068,361 | (735,553) | 164,332,808 | 154,244,210 |
| Total liabilities | | 49,623,302 | 264,790,900 | (22,522,077) | 291,892,125 | 266,773,172 |
| Noncontrolling interest | | — | 9,178,014 | (1,074) | 9,176,940 | 19,472,626 |
| Net assets: | | | | | | |
| Unrestricted | | (793,869) | 45,376,715 | (941,829) | 43,641,017 | 51,164,796 |
| Temporarily restricted | | 42,701,678 | — | — | 42,701,678 | 33,394,935 |
| Permanently restricted | | 5,007,625 | — | — | 5,007,625 | 5,007,625 |
| Total net assets | | 46,915,434 | 45,376,715 | (941,829) | 91,350,320 | 89,567,356 |
| Total liabilities and net assets | $ | 96,538,736 | 319,345,629 | (23,464,980) | 392,419,385 | 375,813,154 |

See accompanying notes to consolidated financial statements.

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Activities

Year ended December 31, 2014
(with comparative totals for 2013)

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | | | | | | | |
| | Charitable activities | Banking activities | Eliminations | Total | Temporarily restricted | Permanently restricted | Total | 2013 |
| Operating activities: | | | | | | | | |
| Charitable support, gains, and losses: | | | | | | | | |
| Private contributions | $ 16,846,425 | — | — | 16,846,425 | 31,407,643 | — | 48,254,068 | 44,350,738 |
| Government grants | 647,871 | — | — | 647,871 | — | — | 647,871 | 72,676 |
| Other | 599,495 | — | (30,000) | 569,495 | — | — | 569,495 | 179,286 |
| Net assets released from restrictions | 22,153,808 | — | — | 22,153,808 | (22,153,808) | — | — | — |
| Total charitable support, gains, and losses | 40,247,599 | — | (30,000) | 40,217,599 | 9,253,835 | — | 49,471,434 | 44,602,700 |
| Banking revenue: | | | | | | | | |
| Loan interest income | — | 74,568,710 | — | 74,568,710 | — | — | 74,568,710 | 70,792,630 |
| Other fees and income | — | 16,648,091 | — | 16,648,091 | — | — | 16,648,091 | 17,017,342 |
| Total banking revenue | — | 91,216,801 | — | 91,216,801 | — | — | 91,216,801 | 87,809,972 |
| Total support and revenue | 40,247,599 | 91,216,801 | (30,000) | 131,434,400 | 9,253,835 | — | 140,688,235 | 132,412,672 |
| Expenses: | | | | | | | | |
| Charitable expenses: | | | | | | | | |
| Program services: | | | | | | | | |
| Grants for member organizations for operations and client loans | 9,297,804 | — | — | 9,297,804 | — | — | 9,297,804 | 4,020,517 |
| Development of member organizations | 17,436,720 | — | — | 17,436,720 | — | — | 17,436,720 | 15,792,735 |
| Total program services | 26,734,524 | — | — | 26,734,524 | — | — | 26,734,524 | 19,813,252 |
| Supporting services: | | | | | | | | |
| Fundraising | 7,829,659 | — | — | 7,829,659 | — | — | 7,829,659 | 7,241,564 |
| Management and general | 3,545,274 | — | — | 3,545,274 | — | — | 3,545,274 | 2,808,064 |
| Total supporting services | 11,374,933 | — | — | 11,374,933 | — | — | 11,374,933 | 10,049,628 |
| Total charitable expenses | 38,109,457 | — | — | 38,109,457 | — | — | 38,109,457 | 29,862,880 |
| Banking expenses: | | | | | | | | |
| Interest | — | 15,215,452 | (527,561) | 14,687,891 | — | — | 14,687,891 | 12,615,001 |
| Provision for loan losses | — | 8,346,847 | — | 8,346,847 | — | — | 8,346,847 | 7,389,337 |
| Operating expenses | — | 73,530,082 | — | 73,530,082 | — | — | 73,530,082 | 73,537,306 |
| Total banking expenses | — | 97,092,381 | (527,561) | 96,564,820 | — | — | 96,564,820 | 93,541,644 |
| Total expenses | 38,109,457 | 97,092,381 | (527,561) | 134,674,277 | — | — | 134,674,277 | 123,404,524 |
| Increase (decrease) in net assets from operating activities | 2,138,142 | (5,875,580) | 497,561 | (3,239,877) | 9,253,835 | — | 6,013,958 | 9,008,148 |
| Nonoperating activities: | | | | | | | | |
| Gain (loss) on investments, net | (100,165) | — | (497,561) | (597,726) | 52,908 | — | (544,818) | (2,058,071) |
| Foreign currency translation (loss) | — | (7,984,045) | (464,739) | (8,448,784) | — | — | (8,448,784) | (6,212,380) |
| Noncontrolling interest in net loss of consolidated subsidiaries | — | 4,762,608 | — | 4,762,608 | — | — | 4,762,608 | 3,380,276 |
| Increase (decrease) in net assets from nonoperating activities | (100,165) | (3,221,437) | (962,300) | (4,283,902) | 52,908 | — | (4,230,994) | (4,890,175) |
| Investment in banking activities | (8,664,271) | 8,664,271 | — | — | — | — | — | — |
| Increase (decrease) in net assets | (6,626,294) | (432,746) | (464,739) | (7,523,779) | 9,306,743 | — | 1,782,964 | 4,117,973 |
| Net assets: | | | | | | | | |
| Beginning of year | 5,832,425 | 45,809,461 | (477,090) | 51,164,796 | 33,394,935 | 5,007,625 | 89,567,356 | 85,449,383 |
| End of year | $ (793,869) | 45,376,715 | (941,829) | 43,641,017 | 42,701,678 | 5,007,625 | 91,350,320 | 89,567,356 |

See accompanying notes to consolidated financial statements.

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Cash Flows

Year ended December 31, 2014
(with comparative amounts for 2013)

| | | 2014 | 2013 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Increase in net assets | $ | 1,782,964 | 4,117,973 |
| Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities: | | | |
| Depreciation | | 5,559,434 | 5,563,552 |
| Foreign currency translation loss | | 8,448,784 | 6,212,380 |
| Provision for loan losses | | 8,346,847 | 7,389,337 |
| Net loss attributable to Noncontrolling interests | | (4,762,608) | (3,380,276) |
| Realized loss on sale of subsidiary | | 1,062,253 | — |
| Realized loss (gain) on investments | | 821,262 | 785,922 |
| Unrealized loss (gain) on investments | | (2,555) | 1,281,336 |
| Equity in loss of investment in other institutions | | 559,800 | 354,648 |
| Changes in assets and liabilities: | | | |
| Pledges and other receivables | | 551,762 | (9,160,411) |
| Prepaid expenses and other assets | | (7,355,135) | 5,031,326 |
| Accounts payable and accrued liabilities | | (4,365,952) | 445,179 |
| Deferred revenue | | 4,399,800 | (601,555) |
| Noncontrolling interest | | (5,533,078) | 1,447,984 |
| Net cash provided by operating activities | | 9,513,578 | 19,487,395 |
| Cash flows from investing activities: | | | |
| Loan originations, net of principal collections | | (71,089) | (46,375,645) |
| Purchase of investments in unconsolidated affiliates | | — | (5,226,578) |
| Purchase of investments | | (69,313) | (4,484,531) |
| Sale of investments | | 4,230,820 | 2,767,130 |
| Purchase of restricted cash and investments | | (2,656,036) | (4,245,722) |
| Sale of restricted cash and investments | | — | 7,432,419 |
| Additions of building, furniture, and equipment, net | | (2,583,825) | (5,139,586) |
| Collections (issuance) of notes receivable, net | | 387,484 | 929,108 |
| Net cash used in investing activities | | (761,959) | (54,343,405) |
| Cash flows from financing activities: | | | |
| Proceeds from notes payable | | 51,265,298 | 27,477,566 |
| Principal payments of notes payable | | (36,268,791) | (19,561,386) |
| Deposits from customers, net | | 10,088,598 | 27,599,592 |
| Net cash provided by financing activities | | 25,085,105 | 35,515,772 |
| Effect of exchange rate changes on cash | | (8,448,784) | (6,212,380) |
| Net increase (decrease) in cash and cash equivalents | | 25,387,940 | (5,552,618) |
| Cash and cash equivalents at beginning of year | | 67,368,785 | 72,921,403 |
| Cash and cash equivalents at end of year | $ | 92,756,725 | 67,368,785 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid for interest | $ | 11,728,341 | 10,355,360 |
| Cash paid for taxes | | 883,352 | 973,600 |
| Supplemental disclosure of noncash investing and financing transactions : | | | |
| Conversion of notes receivable into investment in subsidiaries | $ | 179,920 | 3,280,935 |

See accompanying notes to consolidated financial statements.

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year ended December 31, 2014
(with comparative amounts for 2013)

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Charitable activities | | | | | | |
| | Program services | Fundraising | Management and general | Total | Banking activities | Total | 2013 Total |
| Grants for Opportunity International Network | $ 4,387,372 | — | — | 4,387,372 | — | 4,387,372 | 5,740,958 |
| Grants for member organizations for operations and client loans | 9,297,804 | — | — | 9,297,804 | — | 9,297,804 | 6,433,980 |
| Provision for government agreement closeout costs | — | — | — | — | — | — | (2,413,463) |
| Salaries and benefits | 5,314,747 | 5,795,693 | 1,944,728 | 13,055,168 | 33,947,052 | 47,002,220 | 46,653,746 |
| Provision for loan loss | — | — | — | — | 8,346,847 | 8,346,847 | 7,389,337 |
| Rent and utilities | 35,881 | 11,558 | 309,604 | 357,043 | 8,021,375 | 8,378,418 | 8,456,797 |
| Travel and hosting | 702,776 | 764,179 | 55,608 | 1,522,563 | 3,456,649 | 4,979,212 | 4,677,739 |
| Professional fees | 1,839,346 | 756,623 | 589,898 | 3,185,867 | 6,539,023 | 9,724,890 | 11,829,151 |
| Miscellaneous expense | 82,426 | 195,878 | 166,631 | 444,935 | 8,051,575 | 8,496,510 | 6,643,798 |
| Interest expense | 898,875 | — | 4,488 | 903,363 | 14,687,891 | 15,591,254 | 13,341,335 |
| Telephone | 39,947 | 33,539 | 33,341 | 106,827 | 2,191,525 | 2,298,352 | 2,339,452 |
| Foreign exchange (gain) | — | — | — | — | (2,354,973) | (2,354,973) | (2,255,256) |
| Depreciation expense | 11,551 | — | 87,445 | 98,996 | 5,460,438 | 5,559,434 | 5,563,552 |
| Board meetings and conferences | 38,158 | 44,922 | 36,288 | 119,368 | 423,701 | 543,069 | 700,017 |
| Supplies, printing, and office equipment | 160,949 | 74,816 | 273,627 | 509,392 | 2,022,947 | 2,532,339 | 2,733,114 |
| Income tax expense | — | — | — | — | 1,661,161 | 1,661,161 | 973,600 |
| Postage and shipping | 9,479 | 22,336 | 8,007 | 39,822 | 209,369 | 249,191 | 283,753 |
| Training | 125,155 | 71,461 | 12,843 | 209,459 | 873,468 | 1,082,927 | 412,709 |
| Promotional materials | 767,304 | 58,419 | 2,020 | 827,743 | 1,027,136 | 1,854,879 | 1,678,204 |
| Donor-advised grant expense | 2,997,450 | — | — | 2,997,450 | — | 2,997,450 | 402,046 |
| Insurance | 25,304 | 235 | 20,746 | 46,285 | 1,999,636 | 2,045,921 | 1,819,955 |
| Total expenses | $ 26,734,524 | 7,829,659 | 3,545,274 | 38,109,457 | 96,564,820 | 134,674,277 | 123,404,524 |

See accompanying notes to consolidated financial statements.

## (1) Organization

Opportunity International, Inc., d/b/a/ Opportunity International – U.S. (Opportunity), is a tax-exempt, publicly supported Christian-based corporation, whose purpose is to create employment and improve income for the poor by assisting in the establishment of small businesses and microbusinesses in developing countries. Opportunity's programs are financed through direct solicitation of funds from individuals, corporations, foundations, churches, and government grants.

Opportunity fulfills its mission through nongovernmental organizations and commercial microfinance institution members in developing countries. A member organization is an implementer of microenterprise development and provider of financial services within the Opportunity network. Funds are disbursed to member organizations to capitalize various local commercial start-up ventures and to fund their own operations. While member organizations are critical in assisting Opportunity to achieve its purpose, they are not legally affiliated with Opportunity (with the exception of the microfinance institutions that are incorporated as for-profit microfinance institutions, as discussed below), and accordingly, their accounts are not included in these consolidated financial statements.

Similarly, entities within the Opportunity support network, including Opportunity International Australia, Opportunity International United Kingdom, Opportunity International Germany, and Opportunity International Canada, raise funds in their respective countries and operate independently of Opportunity. Their accounts are not included in these consolidated financial statements.

Effective January 1, 1998, all affiliated member organizations of Opportunity signed a membership agreement formalizing the Opportunity International Network (Network). The Network was established to coordinate a common strategy among all members, to develop an accreditation process for participating members, and to manage standardization and quality throughout the Network member organizations. The Network operates a service organization that provides training, consulting, and other services to member organizations. The Network is not consolidated in these accompanying consolidated financial statements as the Network is not a legal subsidiary of Opportunity.

Opportunity provides a majority of the funding for the Network's operations, along with providing accounting and management services. These services are considered Opportunity's dues for Network membership. Total costs incurred by Opportunity, included in development of member organizations on the consolidated statements of activities, related to the Network are $4,387,378 and $5,740,957 for the years ended December 31, 2014 and 2013, respectively.

Program services expense in the charitable activities section of the accompanying consolidated statement of activities includes grants made to the Network and disbursements for program services made to its member organizations. The member organizations are not required to pay these grants back to Opportunity. Program services are as follows:

a. Grants for revolving loans – Amounts disbursed to member organizations, which in turn, provide small commercial loans to borrowers/entrepreneurs.

b. Grants for member lending operations and training – Amounts disbursed to member organizations for their operating costs, as well as management and business training and technical assistance to the borrower/entrepreneur.

c. Development of member organizations – Amounts expended by Opportunity and the Network, to the extent of dues paid by Opportunity, to support member organization growth and maturation.

Effective June 19, 2000, Opportunity incorporated Opportunity Transformation Investments (OTI), which is intended to invest in and hold ownership positions in microfinance institutions as they convert from nongovernmental organizations to commercial microfinance institutions. OTI's board of directors is controlled by Opportunity. Accordingly, OTI and its majority owned banks are consolidated in Opportunity's financial statements. If a majority interest is acquired in more than one transaction at different dates, cost is determined separately for the percentage of ownership interest in net assets acquired at the date of each transaction. All intercompany transactions have been eliminated in consolidation. The acquired interests in the microfinance organizations are as follows:

i) In July 2002, Opportunity International Stock Savings Bank, Novi Sad (Opportunity Bank Serbia) was capitalized with an initial investment of $1,100,000 from OTI to acquire all outstanding shares of common stock of Opportunity Bank Serbia. In December 2002, additional common stock was sold for $1,000,000, of which an investment was made by OTI in the amount of $200,000. This resulted in OTI's ownership percentage decreasing to 62.0% at December 31, 2002. In December 2003, OTI made an additional investment in Opportunity Bank Serbia, increasing its ownership percentage to 77.0%. During 2005, OTI made a $2.4 million investment in Opportunity Bank Serbia, bringing its ownership percentage up to 93.6%. OTI made an additional investment of $5.7 million in December 2005. In 2006, in compliance with the National Bank of Serbia's (NBS) new law recognizing only banks, Opportunity Bank Serbia was dissolved, and Opportunity Banka a.d. Novi Sad became the legal successor of all Opportunity Bank Serbia's rights and obligations. On February 7, 2007, NBS issued the permanent banking license to Opportunity Banka a.d. Novi Sad (Opportunity Bank Serbia). During 2007, two institutions purchased shares in Opportunity Bank Serbia, which diluted OTI's ownership to 63.5%. During 2010, OTI made an additional equity investment of $2,480,127. In 2012, OTI made an equity investment of $1,591,193. As of December 31, 2012 and 2013, OTI owned 67% of the outstanding shares of Opportunity Bank Serbia. During 2014, OTI purchased 33% of the shares from the minority shareholders and made a separate investment of $292,899 increasing OTI's ownership to 100% as of December 31, 2014.

(ii) In February 2003, Oportunidad Microfinanzas, S.A. de C.V., SOFOM ENR (Opportunity Mexico) was capitalized with an initial investment by OTI. OTI made additional investments in Opportunity Mexico until 2013, when OTI sold 100% of its shares in Opportunity Mexico for a total purchase price of $550,000. The purchase price is to be paid by the buyer in two installments: $200,000 and $350,000 on May 1, 2015 and May 1, 2016, respectively.

(iii) In February 2005, Banco Oportunidade de Mocambique, SARL (Opportunity Bank Mozambique) was capitalized with an initial OTI investment of $1,220,900 for 58.7% ownership in Opportunity Bank Mozambique. During 2006, OTI made an additional investment of $839,142 in Opportunity Bank Mozambique to maintain 58.7% ownership. During 2008, OTI purchased 292 shares from minority investors for $392,635. During 2009 and 2008, OTI advanced $280,489 and $326,520, respectively, in convertible loans. During 2010, OTI invested an additional $556,413 and converted the outstanding loans to equity. During 2013 and 2011, OTI made additional equity investments of $1,361,310 and $482,824, respectively. As of December 31, 2014 and 2013, OTI owned 64.7% and 60.6% of the outstanding shares of Opportunity Bank Mozambique, respectively.

(iv) As of December 31, 2005, OTI had an investment of $1,139,725 or 35.1% of Opportunity International Savings & Loans Limited in Ghana (Opportunity Bank Ghana). In May 2006, OTI made an additional investment of $1,082,332 in Opportunity Bank Ghana increasing its percentage of ownership to 44.9%. In July 2006, OTI made another investment of $933,268, which included the conversion of notes receivable of $323,753, in Opportunity Bank Ghana further increasing its percentage of ownership to 59.6%, making OTI the majority shareholder. The results of operations of Opportunity Bank Ghana were included in the consolidated financial statements of OTI starting in the year 2006. Even though OTI invested an additional $1,030,349 of equity in Opportunity Bank Ghana during 2007, its percentage of ownership was diluted by other shareholder investments to 51.5%. During 2010 and 2009, OTI advanced $843,504 and $186,000, respectively, in convertible loans. During 2011, OTI made a $2,107,641 equity investment and converted $1,029,504 of loans to equity. In 2012 and 2013, OTI made additional investments of $1,416,756 and $262,500, respectively. During 2014, OTI invested an additional $1,044,500 as equity and $623,244 as convertible loans. Shares will be issued after shareholder approval is received. As of December 31, 2014 and 2013, OTI owned 64.6% and 68.4%, respectively, of the outstanding shares of Opportunity Bank Ghana.

(v) As of December 31, 2005, OTI had a net investment of $1,011,020 or 27.1% in Opportunity International Bank of Malawi, Ltd. (Opportunity Bank Malawi). During 2006, OTI made investments totaling $1,567,087 in Opportunity Bank Malawi through conversion of notes receivable to equity and additional cash payments increasing its ownership to 53.7%. The results of Opportunity Bank Malawi were included in the consolidated financial statements beginning in 2006. During March 2008, OTI converted $362,764 of loans to equity and made an additional equity investment of $1,404,878. During 2011, OTI converted $1,069,000 of loans to equity and made an additional investment of $1,992,929. During 2012 and 2013, OTI made equity investments of $1,784,965 and $1,005,000, respectively. During 2014, OTI invested an additional $2,117,710 as well as purchased the shares of a minority investor for $11,707. As of December 31, 2014 and 2013, OTI owned 56.6% and 51.3%, respectively, of the outstanding shares of Opportunity Bank Malawi.

(vi) In June 2006, OTI made an initial investment of $178,336 in Opportunity International Bank Rwanda, S.A. (Opportunity Bank Rwanda) for which it received 961 shares or 96.6% of the common stock of Opportunity Bank Rwanda. Opportunity International – Deutschland and the officers and directors owned the other shares. In July 2006, OTI was gifted equity totaling $249,975 from Opportunity International Canada. In September 2006, OTI made an additional investment of $2,450,000, which increased its ownership percentage to 99.8%. The financial statements of Opportunity Bank Rwanda are included in the consolidated financial statements of OTI beginning in the year 2006. On July 1, 2007, Opportunity International Bank Rwanda merged with Urwego Community Banking S.A. A new entity called Urwego Opportunity Microfinance Bank S.A. (Opportunity Bank Rwanda) was formed and its financial statements were included in the OTI consolidated financial statements beginning in 2007. During March 2008, minority shareholders purchased 9.6% of outstanding shares of

Opportunity Bank Rwanda from OTI for $331,821. During 2009, OTI issued $321,000 in convertible loans. OTI advanced $613,900 and $88,362 as convertible loans during 2012 and 2011, respectively. During 2013, OTI converted $505,500 to equity. During 2014, OTI sent $172,000 as a convertible loan. As of December 31, 2014 and 2013, OTI owned 49.9% of the outstanding stock of Opportunity Bank Rwanda.

(vii) In 2006, OTI made an initial capital investment of $15, along with $1,266,000 of loans convertible to equity, in Opportunity Finance (Proprietary) Limited, South Africa (Opportunity South Africa). OTI owned 100% of Opportunity South Africa and its financial statements were included in the OTI consolidated financial statements beginning in 2006. The 2006 loans totaling $1,266,000 plus 2007 convertible loans of $418,658 were converted to equity in November 2007. During 2008, additional convertible loans of $2,071,000 were made to Opportunity South Africa, which were converted to equity in March 2009. During 2009, OTI's ownership percentage was diluted by an equity investment from a new shareholder. During 2012 and 2011, OTI made additional investments of $164,966 and $1,000,000, respectively. As of December 31, 2013, OTI owned 76.5% of the outstanding shares of Opportunity South Africa. On June 30, 2014, OTI sold its shares in Opportunity South Africa to a lender operating in South Africa. The purchase price is to be paid in equal installments over 36 months. As of December 31, 2014, the balance due was $1,123,908. OTI recognized a loss of $1,062,252 on the sale of the shares.

(viii) On July 31, 2006, OTI acquired specific assets of Wedco Enterprises Development Ltd. for $700,000. A new entity was formed in Kenya, Opportunity International-Wedco Limited (Opportunity Kenya). During 2008, the company changed its name to Opportunity Kenya Limited. OTI owned 51% of the common shares and Wedco Enterprises owned 49% of the common shares. The financial statements of Opportunity Kenya were included in the consolidated financial statements of OTI beginning in 2006. During 2008 and 2007, convertible loans of $98,776 and $1,900,000 were made to Opportunity Kenya, respectively. During 2009, $354,662 of the loans was converted to equity and OTI advanced additional convertible loans of approximately $1,000,000. During 2010, OTI advanced additional convertible loans of approximately $1,200,000. During 2011, $3,850,894 of convertible loans were converted to equity and an additional $462,545, of convertible loans were advanced. During 2012, OTI advanced additional convertible loans of $1,228,317, which were converted to equity in 2013. OTI invested an additional $85,000 of equity in 2013. During 2014, OTI sent $727,402 in equity for which shares were not yet issued as of December 31, 2014. As of December 31, 2014 and 2013, OTI owned 88% of the outstanding shares of Opportunity Kenya.

(ix) On December 15, 2006, OTI purchased 31.5% of the common shares of Faulu Uganda Limited for $347,870. During May 2007, OTI acquired another 31.5% of the outstanding common shares of Faulu Uganda from Opportunity International Australia for $300,000 making it majority owner with 63.0% ownership. During May 2007, OTI made an additional equity investment of $750,000. The results of operations of Faulu Uganda were included in the consolidated financial statements beginning in the year 2007. During October 2008, OTI made an additional equity investment of $1,115,000. On December 16, 2008, the company acquired a license from the Bank of Uganda as a two tier financial institution. During 2009, the company changed its registered name to Opportunity Bank Uganda Limited (Opportunity Bank Uganda) and OTI made an equity investment of $500,000 and advanced an additional $200,000 of convertible loans. During 2010, the $200,000 of convertible loans was converted to equity, and OTI made an additional equity investment of $1,334,309. During 2012 and 2011, OTI made equity investments of $2,091,434 and $2,213,285, respectively. As of December 31, 2014 and 2013, OTI owned 85.7% of the outstanding shares of Opportunity Bank Uganda.

(x) On December 20, 2007, OTI acquired 60% of the stock of Faulu Tanzania Limited for $1. During 2008, the company changed its name to Opportunity Tanzania Limited (Opportunity Tanzania). The results of operations of Opportunity Tanzania were included in the consolidated financial statements of OTI beginning in 2007. During 2008, OTI made convertible loans of $1,700,000 to Opportunity Tanzania, which were converted to equity in May 2009. Additional equity investments of $887,415, $1,712,040, and $749,217 were made by OTI in 2012, 2011, and 2010, respectively. During 2012, $920,080 of convertible loans were converted to equity. During 2014, OTI made an additional investment of $437,631. As of December 31, 2014 and 2013, OTI owned 67.5% and 66.1%, respectively, of the outstanding shares of Opportunity Tanzania.

(xi) As of December 31, 2009, OTI had a net investment of $193,976, or 34.5% of the shares in Opportunity Microcredit Romania IFN SA (Opportunity Romania). On October 27, 2010, OTI purchased an additional interest in Opportunity Romania for $1,482,910 increasing its ownership position to 57.2%. The results of Opportunity Romania are included in the consolidated financial statements as of October 2010. During 2012, OTI made an additional equity investment of $900,000. As of December 31, 2014 and 2013, OTI owned 66.5% of the outstanding shares of Opportunity Romania.

(xii) During 2010, OTI invested $2,000,000 to establish a microfinance company, Opportunity International DRC SPRL (Opportunity DRC) in the Democratic Republic of Congo. Opportunity DRC was incorporated and 32,400 shares were issued to OTI for its $2,000,000 investment. The financial statements of Opportunity DRC were included in the consolidated financial statements during 2010. During 2014, 2013, and 2012, OTI invested $521,305, $434,000, and $1,544,695, respectively. During 2014, OTI sent an additional $217,605 for which shares were not yet issued as of December 31, 2014. As of December 31, 2014 and 2013, OTI owned 100% of the outstanding shares of Opportunity DRC.

(xiii) During 2012, OTI invested $7,636,220 to establish a microfinance company, Opportunity International Colombia S.A. Compania de Financiamiento (Opportunity Colombia) in Colombia. Opportunity Colombia became legally authorized to operate as a regulated financial intermediary in June 2012 and issued 1,351,731,310 shares to OTI for its initial investment. As of December 31, 2014 and 2013, OTI owned 71.1% of the outstanding shares of Opportunity Colombia.

MicroEnsure LLC, formerly known as Micro Insurance Agency Holdings LLC, was incorporated on November 4, 2005 in the State of Illinois. Collectively, MicroEnsure LLC and its subsidiaries are referred to as “MicroEnsure.” The primary purpose of MicroEnsure was to serve as an agent to provide the poor in developing countries with access to affordable and appropriate insurance products.

On January 7, 2013, Opportunity exchanged substantially all the assets and liabilities of MicroEnsure for 100% of the shares of MicroEnsure Holding Limited, a limited company organized under the laws of England and Wales on November 16, 2012 (MEHL). Additional capital was contributed by new investors, which diluted Opportunity’s percentage of ownership to 7.8% and 24.1% of MEHL as of December 31, 2014 and

December 31, 2013, respectively. Opportunity's divestiture of MicroEnsure was a strategic move to bring additional capital and relationships required to scale the MicroEnsure business with continued rapid growth to serve more clients in need. Opportunity's investment in MEHL was reduced to zero as of December 31, 2014 after recording its share of the MEHL losses. (note 6).

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

Opportunity's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and are presented on the accrual basis of accounting.

**Charitable Activities** – This category reports Opportunity's fund-raising activities performed in the United States of America.

In order to ensure the observance of limitations and restrictions placed on the use of available resources, Opportunity maintains its accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources are classified into funds established according to their nature and purpose. For external reporting purposes, however, Opportunity's consolidated financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions.

Net assets and related activities are classified as unrestricted, temporarily restricted, and permanently restricted activities as follows:

**Unrestricted** – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets, which include capital and accumulated earnings or deficits at each subsidiary bank, consist of the following as of December 31, 2014 and 2013:

| | | 2014 | 2013 |
|---|---|---|---|
| Opportunity International – United States | $ | (1,735,698) | 5,355,333 |
| Opportunity Bank Serbia | | 14,712,911 | 9,626,166 |
| Opportunity Bank Mozambique | | 2,329,098 | 2,498,520 |
| Opportunity Bank Ghana | | 3,127,498 | 4,313,787 |
| Opportunity Bank Malawi | | 4,332,472 | 4,983,143 |
| Opportunity Bank Rwanda | | 2,451,658 | 2,878,568 |
| Opportunity South Africa | | — | 2,250,209 |
| Opportunity Kenya | | 3,114,472 | 3,751,629 |
| Opportunity Bank Uganda | | 8,044,971 | 7,765,535 |
| Opportunity Tanzania | | 1,524,445 | 2,134,467 |
| Opportunity Romania | | (160,209) | (78,697) |
| Opportunity DRC | | 2,531,066 | 2,001,373 |
| Opportunity Colombia | | 3,368,333 | 3,684,763 |
| Total | $ | 43,641,017 | 51,164,796 |

The net assets of the banks are unrestricted as they are not subject to donor restrictions; however, banking regulators in each jurisdiction have minimum capital requirements, which could limit access to these net assets.

**Temporarily Restricted** – Net assets that are subject to donor-imposed restrictions that will be met either by actions of Opportunity or by the passage of time. Temporarily restricted net assets are available for the following purposes or periods as of December 31, 2014 and 2013:

| | | 2014 | 2013 |
|---|---|---|---|
| For periods after December 31 | $ | 23,143,530 | 26,159,569 |
| MicroEnsure programs | | — | 74,350 |
| Programs in Latin America and Colombia | | — | — |
| Programs in Asia | | 4,950,234 | 2,268,586 |
| Programs in Africa | | 7,612,238 | 1,262,935 |
| Other programs | | 6,995,676 | 3,629,495 |
| Total | $ | 42,701,678 | 33,394,935 |

Net assets were released from donor restrictions during the years ended December 31, 2014 and 2013 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| MicroEnsure Programs | $ | 74,350 | 520,315 |
| Programs in Africa | | 14,457,245 | 11,712,868 |
| Programs in Latin America and Colombia | | (238,921) | 1,584,915 |
| Programs in Asia | | 645,868 | 2,480,469 |
| Other programs | | 7,215,266 | 8,953,826 |
| Total | $ | 22,153,808 | 25,252,393 |

**Permanently Restricted** – Net assets that are subject to donor-imposed restrictions to be maintained permanently by Opportunity. Generally, donors of these assets permit Opportunity to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2014 and 2013, permanently restricted net assets consist of the Cornerstone Fund, which was instituted in 2002 as a means of providing collateral for the existing line of credit.

**Banking Activities** – This category reports the consolidated results of the commercial banks in which OTI has investments of greater than 50%. Assets and liabilities of foreign investments are translated at year-end exchange rates, with the related translation adjustments reported as a change in unrestricted net assets. Income statement accounts are translated at the average exchange rate during the period. Minority investors own portions of the nine microfinance institutions that OTI has majority interest in: Opportunity Bank Mozambique, Opportunity Bank Ghana, Opportunity Bank Malawi, Opportunity Bank Rwanda, Opportunity Kenya, Opportunity Bank Uganda, Opportunity Tanzania, Opportunity Romania, and Opportunity Colombia. The outside investors' shares are shown in Opportunity's consolidated financial statements as noncontrolling interest.

***(b) Revenue and Expense***

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

Private gifts, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful pledges receivable is provided based upon management's judgment considering such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions received with donor-imposed restrictions are reported as revenue of the unrestricted net asset class if those restrictions are met within the same year as received. Donor-restricted contributions received and whose restrictions were met within the same year were $18,538,465 and $20,384,102 in 2014 and 2013, respectively.

Revenue from governmental grant agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from governmental grant agreements to operate and maintain loan portfolios over an extended period of time under specific conditions is recognized on a straight-line basis over the grant period until the conditions are fulfilled. Amounts received in advance of expenditure are recorded as deferred revenue until recognized over the grant period.

The consolidated results of the banks presented in the accompanying consolidated financial statements recognize fee and commission income for the services provided by each bank. Fee and commission income is recognized when the related service is performed. Loan fees are offset by the costs of originating such loans.

Opportunity records in-kind support for contributed equipment and contributed professional services. Contributed equipment and services are recorded at fair value. Opportunity recorded $3,635,730 and $2,327,811 as contribution revenue in the accompanying consolidated statement of activities, and the corresponding amount was included as equipment and services or as grants to the Network and member organizations in the accompanying consolidated statement of financial position for 2014 and 2013, respectively.

### *(c) Accrued Interest Receivable on Loans*

Interest is accrued on loans when earned. Accrual of interest is ceased on loans when interest is more than six months delinquent. Interest accrued at the date a loan is placed on nonaccrual status is reversed and charged against income. Fee and commission income are recognized when earned.

### *(d) Allowance for Loan Losses*

Allowances have been established for probable loan losses. While the allowance calculation varies by country, each OTI member assesses exposure to their loan portfolio on both an individual and group level. Individually significant loans are evaluated for specific impairment based on management's best estimate of the timing and amount of future cash flows that will be collected. Groups of loans with similar credit risk characteristics that are not individually significant are collectively evaluated for impairment on the basis of historical loss experience adjusted for current economic conditions, the value of the underlying collateral, and management's judgment.

Management believes that these allowances represent the best estimate of the credit losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in economic or political conditions or significant changes in the borrower's financial position. OTI monitors credit risk exposure by product and by customer and regularly reviews the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

A loan is considered impaired when it is probable that all principal and interest amounts due will not be collected in accordance with the loan's contractual terms. Impairment is recognized by allocating a portion of the allowance for loan losses to such a loan to the extent that the recorded investment of an impaired loan exceeds its value. A loan's value is based on the loan's underlying collateral or the calculated present value of projected cash flows discounted at the contractual interest rate. Allocations on impaired loans are considered in relation to the overall adequacy of the allowance for loan losses, and adjustments are made to the provision for loan losses as deemed necessary.

The recorded investment in impaired loans is periodically adjusted to reflect cash payments, revised estimates of future cash flows, and increases in the present value of expected future cash flows due to the passage of time. Cash payments representing interest income are reported as such. Other cash payments are reported as reductions in recorded investment. Increases or decreases due to changes in estimates of future payments and the passage of time are considered in relation to the overall adequacy of the allowance for loan losses.

### *(e) Allocation of Expenses*

Opportunity considers Network Services Organization expenses as a component of its program expense. The amounts relate to dues paid to the Network, which, in turn, support the Network members and the Opportunity program objectives. Certain costs are paid by Opportunity on behalf of the Network as part of Opportunity's annual dues and are included in program grant expense.



(Continued)

### *(f) Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and highly liquid, short-term investments with original maturities of 90 days or less.

### *(g) Restricted Cash and Investments*

Restricted cash and investments at December 31, 2014 and 2013 consist of permanently restricted funds received for the Cornerstone endowment fund, remaining cash proceeds of the notes restricted for investment in Opportunity Bank Serbia through equity and debt instruments, and the balance of loan proceeds lent to OTI from the Bill and Melinda Gates Foundation (the Gates Foundation). Gates Foundation funds yet to be distributed remain in a segregated, interest-bearing account and will be utilized to extend member loans in accordance with the loan agreement. All interest earned on funds in the segregated account and 1% interest on the amounts withdrawn from the segregated account for member loans is remitted quarterly to the Gates Foundation.

### *(h) Investments*

Investments in securities are reported at fair value based on quoted market prices for publicly traded securities and estimates provided by investment managers for nonmarketable investments in certain closely held companies. Donated investments are recorded at fair value at the date of the gift and, based on Opportunity's investment policy, are generally liquidated within 30 days.

### *(i) Investment in Other Institutions*

Investments in other institutions in which OTI holds less than 50% are recorded using the equity method of accounting. Accordingly, the initial investment is increased or decreased by Opportunity's proportionate share of income or loss.

### *(j) Building, Furniture, and Equipment*

Building, furniture, and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 50 years. Accumulated depreciation on building, furniture, and equipment was $21,216,570 and $19,312,167 at December 31, 2014 and 2013, respectively.

### *(k) Charitable Gift Annuities*

Opportunity has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Opportunity agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at their fair value, and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of expected future payments based on the Internal Revenue Service (IRS) mortality tables and the prevailing interest rate. A discount rate of 2% was utilized as of December 31, 2014. The difference is classified as unrestricted contributions on the consolidated statements of activities and changes in net assets. Opportunity maintains charitable gift annuities in a separate portfolio, and the assets are invested in accordance with applicable state laws.

### *(l) Income Taxes*

Opportunity and OTI have received determination letters from the IRS indicating that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no tax provision has been made in the accompanying consolidated financial statements for charitable activities.

Opportunity has adopted the requirements for accounting for uncertain tax positions in accordance with Accounting Standards Codification (ASC) 740-10 *Income Taxes, Overall* (formerly known as Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). The only significant tax position management has identified is that of Opportunity's tax-exempt status. No other tax positions, certain or uncertain, have been identified.

The microfinance institutions included in the accompanying consolidated financial statements pay taxes in accordance with their respective country's laws at rates from 9% to 32% of taxable income and current tax expense is recorded for these amounts. Income taxes for the overseas for-profit microfinance institutions are accounted for under the asset-and-liability method. Deferred taxes and liabilities are recognized for the future consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### *(m) Derivatives*

Derivatives (swap agreements) are used by Opportunity principally in the management of its foreign currency exposure. Opportunity records the swap agreements on the consolidated statement of financial position at fair value in investments, and records the changes in fair value through the consolidated statement of activities in gain or loss on investments. Opportunity does not hold or issue derivatives for speculative purposes.

### *(n) Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

### *(o) Comparative Financial Information*

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Opportunity's consolidated financial statements for the year ended December 31, 2013, from which the summary information was derived.



(Continued)

***(p) Subsequent Events***

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through June 29, 2015, the date the consolidated financial statements were issued.

## (3) Fair Value of Financial Instruments

In 2008, Opportunity adopted ASC 820, *Fair Value Measurement*, as amended, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3).

Opportunity’s notes receivable, loans receivable, and notes payable in the accompanying consolidated financial statements are generated by the charitable activities of Opportunity. The terms of these notes and loans are not commensurate with current market terms in a commercial environment, as they are executed for the purpose of furthering Opportunity’s mission. Fair value cannot be determined for these notes and loans due to their charitable nature and they are carried at book value in Opportunity’s consolidated financial statements.

Unconditional promises to give are recognized initially at fair value as contribution revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor’s payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

Opportunity's other financial instruments, including cash and cash equivalents, accrued interest and expenses, and deferred revenue, are carried at historical cost, which approximates their fair values because of the short-term nature of these instruments. At December 31, 2014 and 2013, Opportunity's restricted cash and investments, and investment securities are accounted for at fair value using the fair value hierarchy of ASC 820 as follows:

| | December 31, 2014 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Money market funds – restricted | $ 8,279,768 | — | — |
| Money market funds – unrestricted | 499,721 | — | — |
| Short-term investments | 107,092 | — | — |
| Common stock | — | — | 245,521 |
| U.S. government securities and bonds | — | — | — |
| Corporate bonds | — | — | — |
| Foreign currency swap asset | — | 191,348 | — |
| Foreign government securities and bonds | 9,435,766 | — | — |
| Total | $ 18,322,347 | 191,348 | 245,521 |

| | December 31, 2013 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Money market funds – restricted | $ 2,527,439 | 707,885 | — |
| Money market funds – unrestricted | 1,647,589 | — | — |
| Short-term investments | 106,419 | — | — |
| Common stock | — | — | 2,415,951 |
| U.S. government securities and bonds | — | 3,258,998 | — |
| Corporate bonds | — | 2,655,523 | — |
| Foreign currency swap liability | — | (95,195) | — |
| Foreign government securities and bonds | 5,368,367 | — | — |
| Total | $ 9,649,814 | 6,527,211 | 2,415,951 |

The following table presents a summary of changes in the fair value of Opportunity's Level 3 assets for the year ended December 31, 2014:

| | |
|---|---|
| Beginning balance, January 1, 2014 | $ 2,415,951 |
| Stock donations received | 1,815,492 |
| Stock sales and distributions | (3,986,459) |
| Gain, net commissions | 537 |
| Ending balance, December 31, 2014 | $ 245,521 |

## (4) Pledges Receivable

Unconditional pledges receivable at December 31, 2014 and 2013 are due to be received as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Within one year | $ | 15,941,501 | 23,468,860 |
| One year to five years | | 12,621,261 | 5,735,718 |
| Less: | | | |
| Allowance on pledges receivable | | (983,600) | (781,118) |
| Discounts to net present value | | (197,787) | (127,540) |
| Net unconditional pledges receivable | $ | 27,381,375 | 28,295,920 |

The discount rate used in determining the net present value of unconditional pledges receivable ranges between 0.37% and 2.91%, based on the treasury bill rate with the closest maturity date. The discount rate was determined individually for each pledge received depending on the date received and the term of the pledge.

## (5) Endowments

Endowment fund agreements are between Opportunity and various donors. Opportunity’s endowment funds are managed by the Senior Vice President – Chief Financial Officer in accordance with the endowment fund agreements. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowment funds, are classified and reported based on the existence of donor-imposed restrictions.

In the investment and handling of funds, Opportunity is subject to the law of Illinois, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which became effective June 30, 2009. The board of directors of Opportunity has interpreted the UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment contributions absent explicit donor stipulations to the contrary. As a result of this interpretation, Opportunity classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The endowment fund was established with the intent of maintaining the fund permanently to provide collateral for the line of credit to support the activities of Opportunity. However, if such permanent status becomes impractical or unwise, the fund may be more expeditiously used in total to further the purposes of Opportunity. Any expenditure of permanent endowment must be approved by Opportunity's board of directors. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

i. The uses, benefits, purposes, and duration for which the endowment fund was established

ii. The duration and preservation of the fund

iii. The purposes of the organization and the donor-restricted endowment fund

iv. General economic conditions

v. The possible effect of inflation and deflation

vi. The expected total return from income and the appreciation of investments

vii. Other resources of the organization

viii. The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the UPMIFA requires Opportunity to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. Any deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2014 and 2013.

Opportunity has adopted an investment policy for endowment assets that attempts to provide a reasonably predictable stream of funding to support its activities while seeking to preserve capital. Endowment assets include those assets of donor-restricted funds that Opportunity must hold in perpetuity as well as board-designated funds. Opportunity's policy requires assets to be invested in a manner that emphasizes low risk and safety of the principal. Opportunity expects that its endowment assets, under the current strategy, will produce an average rate of return of 3% to 4% annually. Actual returns in any given year may vary from this amount.

To satisfy its current rate of return objective, Opportunity relies on a strategy in which investment returns are achieved primarily through interest income. As Opportunity's endowment funds grow, this strategy may be revised to accommodate capital appreciation through investment in equity securities. However, the size of the current endowment assets prohibits Opportunity from adopting an effective diversification strategy at this time.

Opportunity has established the objective of reinvesting the appreciation and investment income to further grow the endowment assets until the board of directors determines the growth needs for the Fund have been achieved.



(Continued)

Changes in the fair value of Opportunity's endowment assets were as follows for the years ended December 31, 2014 and 2013:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Temporarily restricted** | **Permanently restricted** | **Total** | **Temporarily restricted** | **Permanently restricted** | **Total** |
| Investment return: | | | | | | |
| Investment income | $ 52,908 | — | 52,908 | 75,443 | — | 75,443 |
| Net appreciation (depreciation) | 166,056 | — | 166,056 | (747,366) | — | (747,366) |
| Total investment return | 218,964 | — | 218,964 | (671,923) | — | (671,923) |
| Endowment net assets at: | | | | | | |
| Beginning of year | 859,965 | 5,007,625 | 5,867,590 | 1,531,888 | 5,007,625 | 6,539,513 |
| End of year | $ 1,078,929 | 5,007,625 | 6,086,554 | 859,965 | 5,007,625 | 5,867,590 |
| Net assets by type of fund: | | | | | | |
| Donor-restricted endowment | $ — | 5,007,625 | 5,007,625 | — | 5,007,625 | 5,007,625 |
| Investment return | 1,078,929 | — | 1,078,929 | 859,965 | — | 859,965 |
| Total net assets | $ 1,078,929 | 5,007,625 | 6,086,554 | 859,965 | 5,007,625 | 5,867,590 |

## (6) Investments and Investment in Other Institutions

Investments consist of the following as of December 31, 2014 and 2013:

| | **2014** | **2013** |
|---|---|---|
| Common stock | $ 560,843 | 2,731,135 |
| Certificate of deposit in the Philippines | 83,274 | 80,485 |
| Swap asset (liability) | 191,348 | (95,195) |
| Total investments at fair value | $ 835,465 | 2,716,425 |

Investment income from charitable activities for the years ended December 31, 2014 and 2013 consists of the following:

| | **2014** | **2013** |
|---|---|---|
| Interest | $ 65,230 | 353,508 |
| Dividends | 4,476 | 10,325 |
| Realized loss on investments | (187,894) | (785,923) |
| Unrealized gain (loss) on investments | 133,171 | (1,281,336) |
| Equity loss from other institutions | (559,800) | (354,645) |
| Loss on investments, net | $ (544,817) | (2,058,071) |



(Continued)

OTI holds varying noncontrolling interests in other financial institutions, four of which are members of the Opportunity Network, as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Zambuko Trust Limited – Zimbabwe (25%) | $ | 250,000 | 250,000 |
| BFSE General Partner BV (0% and 40%, respectively) | | — | 42,299 |
| Balkan Financial Sector Equity Fund C.V. (4.3%) | | 1,260,245 | 1,374,217 |
| MFX Solutions LLC (1.9%) | | 209,858 | 204,530 |
| Opportunity Kauswagan Bank, Inc. (18%) | | 144,021 | 444,706 |
| Opportunity Kauswagan Bank, Inc. (preferred shares) | | 1,235,000 | 1,235,000 |
| Growing Opportunity Finance (India) Pvt. Ltd (1.6 and 25.8%) | | 10,484 | 2,356,407 |
| SEAF Opportunity Serbia Fund (60%) | | 15,742 | — |
| Opportunity International China Ltd. (32.8%) | | 3,989,900 | 3,941,658 |
| Redeemable noncontrolling interest in Opportunity Serbia | | — | 2,127,032 |
| MicroEnsure Holding Limited | | — | 121,918 |
| Subtotal | | 7,115,250 | 12,097,767 |
| Less amounts reserved | | (250,000) | (511,210) |
| Total investment in other institutions | $ | 6,865,250 | 11,586,557 |

On March 14, 2014, OTI sold the majority of its shares of Growing Opportunity Finance in India to another Opportunity Network member for an amount equal to OTI's original investment.

Under the terms of a shareholder agreement, originally dated September 14, 2006 and amended September 27, 2012, between Opportunity Transformation Investments, Inc. (OTI), its subsidiary Opportunity Bank Serbia (OBS) and three other noncontrolling shareholders, the noncontrolling interest owners had the right to require OTI to purchase (the Put Option) their interest (a total of approximately 33%) of the outstanding capital stock of OBS. OTI purchased all the shares of the noncontrolling shareholders on August 27, 2014 simultaneously terminating the Put Option.

Equity income (loss) from the investments in the other institutions consists of the following:

| | | 2014 | 2013 |
|---|---|---|---|
| BFSE General Partner BV | $ | (42,299) | — |
| Balkan Financial Sector Equity Fund C.V. | | (197,068) | (219,872) |
| MFX Solutions LLC | | 5,328 | 4,734 |
| Opportunity Kauswagan Bank, Inc. | | (300,685) | (139,507) |
| SEAF Opportunity Serbia Fund | | (73,317) | — |
| Opportunity International China Ltd. | | 48,241 | — |
| Total equity loss from other institutions | $ | (559,800) | (354,645) |



(Continued)

## (7) Notes Receivable

Notes receivable as of December 31, 2014 and 2013 are as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Microfinance Loan Obligations S.A. (MLO), interest rate 0% | $ | 141,728 | 208,789 |
| Association de Oportunidad y Desarrollo Economico de Nicaragua (ASODENIC), interest rate 0% | | 130,000 | 130,000 |
| ASODENIC, interest rate 0% | | 100,000 | 100,000 |
| Sinapi Aba Trust (SAT), Ghana, interest rate 0% | | 661,754 | 2,148,383 |
| APPEND (Philippines), interest rate 0% | | — | 169,400 |
| Dikembe Mutombo Foundation, interest rate 3% | | — | 250,000 |
| Alalay Sa Kaunlaran Sa Gitnang Luzon Inc (ASKI), interest rate 0% | | 49,041 | 66,194 |
| HIGO Investments, interest rate 0% | | 550,000 | 550,000 |
| ASPIRE, interest rate 0% | | 176,666 | — |
| Thuthukani Financial Services (Pty) Ltd. (TFS), interest rate 0% | | 1,123,908 | — |
| Taytay Sa Kauswagan Inc. (TSKI), interest rate 0% | | 11,446 | 25,607 |
| Taytay Sa Kauswagan Inc. (TSKI), interest rate 9% | | 81,510 | 82,225 |
| Subtotal notes receivable | | 3,026,053 | 3,730,598 |
| Less allowance for uncollectible amounts | | (336,542) | (653,603) |
| Total net notes receivable | $ | 2,689,511 | 3,076,995 |

The MLO, ASODENIC, SAT, ASPIRE, and TSKI notes are all convertible to equity upon demand. The $550,000 HIGO and $1,123,908 TFS notes represent the amounts due from the purchasers of the shares of Opportunity Mexico and Opportunity South Africa, respectively.

## (8) Loans Receivable

Loans represent microloans granted to individuals and private entrepreneurs by microfinance banks for the purpose of providing financing support to small enterprises. In addition, loans may be made for the purpose of financing agriculture activities. These loans are granted generally for a period of between one month and eight years at interest rates of between 12% and 60%. Certain loans may be collateralized by security such as cash or mortgages. Loans outstanding as of December 31, 2014 and 2013 consist of the following:

| | | 2014 | 2013 |
|---|---|---|---|
| Loans receivable | $ | 210,069,315 | 221,697,893 |
| Less loan loss allowance | | (7,960,554) | (11,313,374) |
| Net loan portfolio | $ | 202,108,761 | 210,384,519 |

Gross loan portfolio by product for the years ended December 31, 2014 and 2013 is as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Individual | $ | 108,815,576 | 102,965,652 |
| Small and medium enterprise (SME) | | 52,732,756 | 58,063,661 |
| Individual groups | | 38,926,334 | 48,053,807 |
| Nonbusiness | | 2,163,038 | 1,404,059 |
| Other | | 7,431,611 | 11,210,714 |
| Total gross loans | $ | 210,069,315 | 221,697,893 |

A summary of the activity in the allowance for loan losses for the years ended December 31, 2014 and 2013 is as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Balance at beginning of year | $ | 11,313,374 | 10,560,469 |
| Provision for loan losses | | 8,346,847 | 7,389,367 |
| Subsidiary loans charged off | | (10,379,782) | (6,387,049) |
| Subsidiary foreign currency translation loss | | (1,319,885) | (249,413) |
| Balance at end of year | $ | 7,960,554 | 11,313,374 |

The following tables summarize the activity in the loan loss allowance by product for the years ended December 31, 2014 and 2013:

| | | Individual | SME | Individual Groups | Nonbusiness | Other | Total |
|---|---|---|---|---|---|---|---|
| Year ended December 31, 2014: | | | | | | | |
| Balance at beginning of year | $ | 6,095,314 | 3,681,229 | 1,254,134 | 65,307 | 217,390 | 11,313,374 |
| Provision for loan losses | | 2,341,673 | 1,463,660 | 1,869,731 | 188,228 | 2,483,555 | 8,346,847 |
| Loans charged off, net | | (3,521,558) | (2,226,709) | (2,409,524) | (141,016) | (2,080,975) | (10,379,782) |
| Foreign currency translation loss | | (763,714) | (399,214) | (79,710) | 22,215 | (99,462) | (1,319,885) |
| Balance at end of year | $ | 4,151,715 | 2,518,966 | 634,631 | 134,734 | 520,508 | 7,960,554 |
| Reserve components: | | | | | | | |
| Individually evaluated for impairment | $ | 3,208,178 | 1,162,285 | 782,866 | 106,807 | 247,045 | 5,507,181 |
| Collectively evaluated for impairment | | 943,538 | 1,356,681 | (148,235) | 24,927 | 273,462 | 2,450,373 |
| Total | $ | 4,151,716 | 2,518,966 | 634,631 | 131,734 | 520,507 | 7,957,554 |
| Year ended December 31, 2013: | | | | | | | |
| Balance at beginning of year | $ | 5,535,706 | 3,853,764 | 808,936 | 25,159 | 336,904 | 10,560,469 |
| Provision for loan losses | | 4,317,038 | 1,124,460 | 1,414,369 | 204,948 | 328,552 | 7,389,367 |
| Loans charged off, net | | (4,016,346) | (674,446) | (1,154,005) | (232,690) | (309,562) | (6,387,049) |
| Foreign currency translation loss | | 258,916 | (622,549) | 184,834 | 67,890 | (138,504) | (249,413) |
| Balance at end of year | $ | 6,095,314 | 3,681,229 | 1,254,134 | 65,307 | 217,390 | 11,313,374 |
| Reserve components: | | | | | | | |
| Individually evaluated for impairment | $ | 4,155,083 | 2,553,880 | 598,058 | 32,970 | 193,253 | 7,533,244 |
| Collectively evaluated for impairment | | 1,940,231 | 1,127,349 | 656,076 | 32,337 | 24,137 | 3,780,130 |
| Total | $ | 6,095,314 | 3,681,229 | 1,254,134 | 65,307 | 217,390 | 11,313,374 |



(Continued)

The lending activities of OTI's banks are primarily conducted within their respective countries. The following is a summary of loans outstanding, net of the related allowance, by country as of December 31, 2014 and 2013:

| | | 2014 | 2013 |
|---|---|---|---|
| Opportunity Bank Serbia | $ | 76,637,210 | 76,627,288 |
| Opportunity Bank Mozambique | | 6,844,472 | 6,474,512 |
| Opportunity Bank Ghana | | 26,124,766 | 28,397,061 |
| Opportunity Bank Malawi | | 13,410,537 | 18,394,300 |
| Opportunity Bank Rwanda | | 13,502,168 | 13,991,770 |
| Opportunity Bank Romania | | 10,305,329 | 13,412,980 |
| Opportunity South Africa | | — | 2,649,777 |
| Opportunity Kenya | | 6,179,641 | 6,049,442 |
| Opportunity Bank Uganda | | 13,046,211 | 12,201,693 |
| Opportunity Tanzania | | 2,155,098 | 3,100,649 |
| Opportunity DRC | | 2,606,969 | 2,983,164 |
| Opportunity Colombia | | 31,296,360 | 26,101,883 |
| Balance at end of year | $ | 202,108,761 | 210,384,519 |

The following is a summary of expected loan maturities as of December 31, 2014 and 2013:

| | | 2014 | 2013 |
|---|---|---|---|
| Less than 1 month | $ | 13,591,554 | 17,185,894 |
| From 1 to 3 months | | 23,325,850 | 19,647,195 |
| From 3 to 12 months | | 62,717,527 | 78,092,758 |
| Over 1 year | | 102,473,830 | 95,458,672 |
| Balance at end of year | $ | 202,108,761 | 210,384,519 |

Aging analysis of gross loans receivable as of December 31, 2014 and 2013 is as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Current | $ | 195,426,839 | 205,321,213 |
| 30–59 days past due | | 3,666,398 | 2,536,172 |
| 60–89 days past due | | 2,349,537 | 1,604,164 |
| 90 days and over past due | | 8,626,541 | 12,236,344 |
| Total gross loans receivable | $ | 210,069,315 | 221,697,893 |

Loans to employees and officers of these banks totaled $2,559,253 and $3,119,179 at December 31, 2014 and 2013, respectively.



(Continued)

OTI's banks will often make loans to borrowers that would be unable to secure financing from commercial sources. The ability of each borrower to repay its respective bank depends on the entrepreneurial success of each borrower. In addition, payments to OTI banks depend on the economic and political environment of each locality in which loans are made.

OTI's banks carry their impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate. The balance of impaired loans at OTI's banks at December 31, 2014 and 2013 was $18.6 million and $23.0 million, respectively. Impaired loan statistics are summarized in the following tables:

| December 31, 2014 | | Amount with impairment reserves | Amount without impairment | Total impaired loans | Impairment reserve | Interest income recognized |
|---|---|---|---|---|---|---|
| Individual | $ | 1,680,049 | 4,914,404 | 6,594,453 | 1,013,035 | 2,378 |
| SME | | 2,264,204 | 2,116,943 | 4,381,147 | 1,617,431 | 8,340 |
| Groups | | 600,706 | 6,866,626 | 7,467,332 | 472,207 | — |
| Nonbusiness | | 76,024 | 76,121 | 152,145 | 64,157 | — |
| Other | | 7,822 | — | 7,822 | 5,036 | — |
| Total | $ | 4,628,805 | 13,974,094 | 18,602,899 | 3,171,866 | 10,718 |

| December 31, 2013 | | Amount with impairment reserves | Amount without impairment | Total impaired loans | Impairment reserve | Interest income recognized |
|---|---|---|---|---|---|---|
| Individual | $ | 4,195,525 | 5,576,643 | 9,772,168 | 2,764,699 | 353,944 |
| SME | | 3,066,124 | 2,045,622 | 5,111,746 | 2,351,140 | 56,479 |
| Groups | | 521,191 | 7,323,673 | 7,844,864 | 159,991 | 46,774 |
| Nonbusiness | | 28,425 | 213,947 | 242,372 | — | — |
| Other | | 45,012 | 225,059 | 270,071 | — | — |
| Total | $ | 7,856,277 | 15,384,944 | 23,241,221 | 5,275,830 | 457,197 |

Troubled debt restructurings (TDR) represent loans for which the original contractual terms have been modified to provide for terms that are less than what we would be willing to accept for new loans with comparable risk because of deterioration in the borrower's financial condition. Loan restructurings occur for reasons including delinquency or anticipation of financial difficulty due to seasonal issues or natural disasters. Modifications may include one or more of the following changes to the terms of the loan, including, but not limited to, a change in interest rate, reduction in the payment amount, or an extension of the reimbursement period. Once a loan is restructured, loss provision is determined in the same manner as that of a regular loan. The following tables present information about receivables for which the original contractual terms were modified during the years ended December 31, 2014 and 2013, and as a result became classified as TDR's:

| December 31, 2014 | Amount with allowance | Amount without allowance | Total TDR loans | Related allowance | Average TDR balance | Interest income recognized |
|---|---|---|---|---|---|---|
| Individual | $ 1,965,546 | 83,640 | 2,049,186 | 120,926 | 2,079,017 | 12,067 |
| SME | 4,343,820 | 259,296 | 4,603,116 | 1,007,319 | 3,494,095 | 94,979 |
| Total | $ 6,309,366 | 342,936 | 6,652,302 | 1,128,245 | 5,573,112 | 107,046 |

| December 31, 2013 | Amount with allowance | Amount without allowance | Total TDR loans | Related allowance | Average TDR balance | Interest income recognized |
|---|---|---|---|---|---|---|
| Individual | $ 1,971,204 | 137,644 | 2,108,848 | 836,506 | 2,869,316 | 54,233 |
| SME | 1,997,389 | 387,684 | 2,385,073 | 1,506,310 | 2,068,264 | — |
| Total | $ 3,968,593 | 525,328 | 4,493,921 | 2,342,816 | 4,937,580 | 54,233 |

The commercial microfinance banks in which OTI holds an interest are exposed to a number of risks. The following outlines some of these risks:

***(a) Credit Risk***

Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to the bank as they fall due. This is an inherent risk associated with the microfinance industry. OTI's financial institutions manage exposure to credit risk on a regular basis by closely monitoring credit limits, loan portfolios, and concentration of exposure. Credit policies cover collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

***(b) Foreign Currency Risk***

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The risk is managed by each OTI financial institution by controlling the size of the difference in value between foreign assets and foreign liabilities. The exposure to exchange rate risk is continually monitored to ensure compliance with regulatory and bank policy limits. As of December 31, 2014, OTI had four swap agreements in place to mitigate the effects of foreign currency risk on local currency notes receivable issued to two subsidiaries.

***(c) Interest Rate Risk***

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. OTI financial institutions manage interest rate risk by monitoring market conditions and applying pricing based on the cost analysis of each product. The majority of loans are short-term in nature; about 47% and 56% are due within one year as of December 31, 2014 and 2013, respectively.

***(d) Liquidity Risk***

Liquidity risk is the risk that the banks will encounter difficulty in raising funds to meet the commitment associated with financial instruments. Each country has minimum capital requirements that the microfinance institutions must adhere to. Additionally, each institution monitors liquidity on a daily basis to meet its internal liquidity requirements. Total cash on hand of the combined banks is $75 million and $61 million as of December 31, 2014 and 2013, respectively, which is 23% and 19% of total assets of the combined banks in 2014 and 2013, respectively.

## (9) Deposits from Customers

Deposits from customers as of December 31, 2014 and 2013 consist of the following:

| | | 2014 | 2013 |
|---|---|---|---|
| Opportunity Bank Mozambique: | | | |
| Demand deposits | $ | 5,032,151 | 4,521,552 |
| Short-term deposits | | 2,112,982 | 2,097,562 |
| Total Opportunity Bank Mozambique | | 7,145,133 | 6,619,114 |
| Opportunity Bank Serbia: | | | |
| Demand deposits | | 14,882,534 | 13,694,343 |
| Short-term deposits | | 28,548,270 | 32,732,354 |
| Long-term deposits | | 22,392,210 | 17,209,913 |
| Total Opportunity Bank Serbia | | 65,823,014 | 63,636,610 |
| Opportunity Bank Ghana: | | | |
| Demand deposits | | 23,084,564 | 9,553,537 |
| Short-term deposits | | 1,474,807 | 15,883,109 |
| Long-term deposits | | — | 501,388 |
| Total Opportunity Bank Ghana | | 24,559,371 | 25,938,034 |
| Opportunity Kenya: | | | |
| Demand deposits | | 2,860,164 | 3,093,176 |

| | | 2014 | 2013 |
|---|---|---|---|
| Opportunity Bank Malawi: | | | |
| Demand deposits | $ | 22,550,178 | 19,999,224 |
| Short-term deposits | | 2,863,591 | 2,682,317 |
| Total Opportunity Bank Malawi | | 25,413,769 | 22,681,541 |
| Opportunity Bank Rwanda: | | | |
| Demand deposits | | 12,109,307 | 10,288,577 |
| Short-term deposits | | 2,382,903 | 950,269 |
| Total Opportunity Bank Rwanda | | 14,492,210 | 11,238,846 |
| Opportunity Bank Uganda: | | | |
| Demand deposits | | 3,579,466 | 3,126,090 |
| Short-term deposits | | 4,401,618 | 2,821,866 |
| Long-term deposits | | — | 115,590 |
| Total Opportunity Bank Uganda | | 7,981,084 | 6,063,546 |
| Opportunity Tanzania: | | | |
| Demand deposits | | 539,922 | 848,894 |
| Opportunity DRC: | | | |
| Demand deposits | | 1,154,599 | 952,748 |
| Opportunity Colombia: | | | |
| Demand deposits | | 452,677 | 486,956 |
| Short-term deposits | | 12,744,631 | 10,671,743 |
| Long-term deposits | | 1,166,234 | 2,013,002 |
| Total Opportunity Colombia | | 14,363,542 | 13,171,701 |
| Total deposits from customers | $ | 164,332,808 | 154,244,210 |

## (10) Notes Payable

Notes payable as of December 31, 2014 and 2013 include the following:

| | 2014 | 2013 |
|---|---|---|
| Opportunity Bank Serbia: | | |
| Note payable, 4.5% interest, maturity – June 2018 | $ 2,419,170 | — |
| Note payable, 5.50% interest, maturity – equal annual installments from March 2015 to March 2020 | 7,257,490 | 8,302,385 |
| Note payable, 8.78% interest until 2014; 12.68% interest thereafter, maturity July 2018 to December 2018 | — | 8,302,384 |
| Note payable, 7.5% interest – equal semiannual installments from June 2013 to June 2014 | — | 691,864 |
| Note payable, 12-month Euribor+1.5% interest, maturity – January 2015 | 604,790 | 691,864 |
| Note payable, 7.75% interest, maturity Jan 2013 – Dec 2015 | 362,890 | 691,863 |
| Note payable, 6-month Euribor+5.00% interest, semiannual installments from May 2014 to May 2016 | 1,209,580 | 2,075,592 |
| Note payable, 4.70% interest, maturity – December 2016 to December 2016 | 725,750 | 1,383,728 |
| Subtotal Opportunity Bank Serbia | 12,579,670 | 22,139,680 |
| Opportunity Bank Ghana: | | |
| Note payable, 5.00% interest, maturity September 2014 | — | 350,922 |
| Note payable, 12.50% interest, maturity November 2015 | 12,010 | 16,371 |
| Note payable, 15% interest, maturity January 2017 | 621,800 | 847,600 |
| Note payable, 182 day T-bill rate+4.70% interest, maturity September 2014 | — | 299,250 |
| Note payable, 16.00% interest, maturity May 2015 | 119,059 | 644,176 |
| Note payable, 18.00% interest, maturity September 2014 | — | 948,041 |
| Note payable, 27.72% interest, maturity December 2017 | 621,924 | — |
| Note payable, 22.77% interest, maturity October 2019 | 1,554,500 | — |
| Note payable, 12.25% interest, maturity September 2016 | 1,939,892 | 2,644,300 |
| Note payable, 0.00% interest, maturity July 2015 | 336,991 | 129,471 |
| Subtotal Opportunity Bank Ghana | 5,206,176 | 5,880,131 |
| Opportunity Bank Malawi: | | |
| Note payable, 8.5% interest, maturity March 2015 | 3,532,200 | — |
| Note payable, 9.00% interest, maturity September 2015 | 3,894,295 | — |
| Note payable, 0.00% interest, convertible, maturity March, 2015 | — | 1,293,188 |
| Subtotal Opportunity Bank Malawi | 7,426,495 | 1,293,188 |

| | | 2014 | 2013 |
|---|---|---|---|
| Opportunity Mozambique: | | | |
| Note payable, 14.00% interest, maturity October 2017 | $ | 1,350,000 | 234,500 |
| Opportunity Kenya: | | | |
| Note payable, 16.00% interest, maturity September 2017 | | 1,078,434 | 627,509 |
| Note payable, 16.00% interest, maturity April 2016 | | 701,028 | — |
| Note payable, 14.00% interest, maturity July 2014 | | — | 593,375 |
| Subtotal Opportunity Kenya | | 1,779,462 | 1,220,884 |
| Opportunity South Africa: | | | |
| Note payable, 6.00% interest, maturity February 2019 | | — | 476,750 |
| Note payable, 6.00% interest, maturity February 2017 | | — | 271,938 |
| Subtotal Opportunity South Africa | | — | 748,688 |
| Opportunity Bank Uganda: | | | |
| Note payable, 13.00% interest, maturity March 2017 | | 800,000 | — |
| Note payable, 12.00% interest, maturity June 2014 | | — | 218,182 |
| Note payable, 15.30% interest, maturity June 2014 | | — | 327,338 |
| Note payable, 14.00% interest 1st quarter then T-bill rate+2.75% up to Max of 12.00%, maturity May 2017 | | 1,333,333 | 1,866,667 |
| Subtotal Opportunity Bank Uganda | | 2,133,333 | 2,412,187 |
| Opportunity Bank Rwanda: | | | |
| Note payable, BNR T-bill rate+5.50% interest, maturity November 2014 | | — | 1,127,868 |
| Note payable, 12.00% interest, maturity November 2016 | | 941,581 | 1,513,255 |
| Note payable, 6.00% interest+SWAP cost, maturity December 2015 | | 662,579 | 675,012 |
| Note payable, 5.00% interest, maturity May 2016 | | 161,844 | 173,404 |
| Subtotal Opportunity Bank Rwanda | | 1,766,004 | 3,489,539 |
| Opportunity Romania: | | | |
| Note payable, 10.50% interest, maturity June 2015 | | 728,172 | 1,010,993 |
| Note payable, 10.50% interest, maturity December 2015 | | 550,807 | 808,794 |
| Note payable, 6-month Bubor+3.00%, maturity March 2015 | | 110,650 | 157,437 |
| Note payable, 6-month Bubor+4.00%, maturity September 2015 | | 421,716 | 600,113 |
| Note payable, Euro Swap Rate+5.17% maturity June 2015 | | 1,296,607 | 1,846,027 |
| Note payable, 3-month Bubor+4.60% maturity January 2015 | | 267,132 | 380,010 |



(Continued)

| | | 2014 | 2013 |
|---|---|---|---|
| Note payable, 3-month Bubor+4.60%, maturity May 2015 | $ | 727,358 | 1,034,762 |
| Note payable, 6-month Euribor+4.00% maturity May 2015 | | 972,333 | 1,384,426 |
| Note payable, 6-month Euribor+4.00% maturity February 2016 | | 486,316 | 692,213 |
| Subtotal Opportunity Romania | | 5,561,091 | 7,914,775 |
| Opportunity Colombia: | | | |
| Note payable, 9.13% interest DTF+5.14% maturity November 2015 | | 6,000 | 146,582 |
| Note payable, 8.73% interest, maturity December 2015 | | 4,000 | 71,500 |
| Note payable, 8.73% interest, maturity November 2015 | | 42,000 | 119,167 |
| Note payable, 9.16% interest, maturity November 2015 | | 10,000 | 83,200 |
| Note payable, 8.91% interest, maturity November 2015 | | 5,920 | 21,761 |
| Note payable, 8.91% interest, maturity November 2015 | | 6,000 | 48,978 |
| Line of Credit, variable interest rates (DTF+1.35% to DTF+4.00%), maturity November 2014 | | — | 954,292 |
| Line of Credit, variable interest rates (DTF+1.35% to DTF+4.00%), maturity November 2015 | | 12,180,848 | — |
| Line of Credit, variable interest rates (DTF+1.35% to DTF+4.00%), maturity November 2015 | | 312,454 | 5,674,139 |
| Note payable, variable interest rates (DTF+2.25% to DTF+2.50%, maturity November 2015 | | 2,029,328 | 3,471,464 |
| Subtotal Opportunity Colombia | | 14,596,550 | 10,591,083 |
| Total banking notes payable | $ | 52,398,781 | 55,924,655 |
| Charitable notes payable: | | | |
| Note payable, 0.00% interest, maturity July 2015 | | 250,000 | 250,000 |
| Notes payable, 1.00% interest, maturity November 2016 | | 10,000,000 | 10,000,000 |
| Notes payable, 5.00% interest, Maturity July 2017 | | 69,618 | 94,249 |
| Note payable, 16.5% interest on KES drawdown and 17% interest on MZN, maturity February 2016 | | 1,852,552 | 2,540,461 |
| Note payable, 3.00% interest, maturity July 2015 | | 500,000 | — |
| Note payable, 2.00% interest, maturity April 2017 | | 100,000 | — |
| Note payable, 2.00% interest, maturity April 2018 | | 100,000 | — |
| Note payable, 2.00% interest, maturity April 2019 | | 100,000 | — |
| Note payable, 2.00% interest, maturity April 2020 | | 100,000 | — |
| Note payable, 2.00% interest, maturity April 2021 | | 100,000 | — |
| Note payable, 2.00% interest, maturity January 2021 | | 250,000 | — |
| Note payable, 2.00% interest, maturity September 2015 | | 250,000 | 250,000 |
| Note payable, 2.00% interest, maturity August 2016 | | 125,000 | 125,000 |
| Notes payable, 2.00% interest, maturity October 2016 | | 1,000,000 | 1,000,000 |
| Notes payable, 2.00% interest, maturity November 2016 | | 750,000 | 750,000 |



(Continued)

| | | 2014 | 2013 |
|---|---|---|---|
| Note payable, 2.00% interest, maturity December 2016 | $ | 250,000 | 500,000 |
| Notes payable, 2.00% interest, maturity December 2017 | | 800,000 | 800,000 |
| Note payable, 2.00% interest, maturity December 2018 | | 500,000 | 500,000 |
| Note payable, 2.00% interest, maturity May 2021 | | 1,000,000 | 1,000,000 |
| Note payable, 2.00% interest, maturity August 2021 | | 1,000,000 | — |
| Note payable, 2.00% interest, maturity October 2019 | | 100,000 | — |
| Note payable, 2.00% interest, maturity July 2019 | | 250,000 | — |
| Note payable, 2.00% interest, maturity December 2020 | | 250,000 | — |
| Notes payable, 7% interest, maturity December 2021 | | 10,498,308 | — |
| Notes payable, 6.75% interest, maturity January 2017 | | 5,348,120 | — |
| Note payable, 0% interest, maturity December 2015 | | 776,600 | — |
| Note payable, 1% interest, maturity January 2015 | | 30,000 | — |
| Total charitable notes payable | | 36,350,198 | 17,809,710 |
| Total notes payable | $ | 88,748,979 | 73,734,365 |

The banking notes payable are the obligations of each individual bank. These borrowings are nonrecourse to OTI.

On November 22, 2006, OTI entered into a $10 million loan agreement with the Gates Foundation. The proceeds are used to support microfinance initiatives in the impoverished regions in Africa. As of December 31, 2014 and 2013, there was $7,983,198 and $7,000,000 in notes receivable outstanding to six and five majority-owned partners in Africa, respectively, with terms in accordance with the Gates Foundation agreement, which were eliminated in consolidation.

On October 2, 2011, OTI entered into a $2.5 million loan agreement with Minlam, a microfinance lending company, which provides loans in local currency. On May 1, 2013, Minlam assigned the loan agreement to MicroVest GMG Local Credit Master Fund, Ltd. (MicroVest). The proceeds are used to support microfinance initiatives in Kenya and Mozambique. As of December 31, 2014 and 2013, $500,000 and $1,000,000, respectively, in a note receivable from Opportunity Kenya was outstanding, which was eliminated in consolidation.

Impact Investment Fund notes of $7,525,000 and $4,925,000 were outstanding as of December 31, 2014 and December 31, 2013, respectively. Maturities range from one to eight years. Annual interest is 2.00%.

On June 4, 2014, OTI entered into a €4,400,000 ($5,348,120 as of December 31, 2014) loan agreement with the responsAbility Global Microfinance Fund. The notes bear an interest rate of 6.75% per annum. The principal and interest are to be paid in four installments beginning January 21, 2015 with the final payment due January 23, 2017. The proceeds of the notes were used to purchase the shares of Opportunity Bank Serbia from the noncontrolling interests.

On December 17, 2014, OTI issued ten notes totaling €11,000,000 ($13,491,818 as of December 31, 2014) with an annual interest rate of 7%. The notes mature on December 17, 2021. Included were notes issued to Opportunity for €2,462,824, ($2,993,510 as of December 31, 2014) and notes totaling €1,010,346

($1,228,056 as of December 31, 2014) to OTI board members. The note to Opportunity was eliminated in the accompanying consolidated statement of financial position as of December 31, 2014. The notes are nonrecourse but are secured by OTI's shares in Opportunity Bank Serbia. OTI will use the proceeds of the notes to invest in Opportunity Bank Serbia through equity and debt instruments. A portion of the proceeds of the notes were used to assume the rights and obligations of three notes from the European Fund for Southeast Europe S.A. (EFSE) with principal of €6,000,000 ($7,257,490 as of December 31, 2014) plus accrued interest. Opportunity Bank Serbia is the issuer of the assigned notes.

Aggregate maturities of notes payable as of December 31, 2014 are as follows:

| | | |
|---|---|---|
| 2015 | $ | 22,368,604 |
| 2016 | | 23,117,161 |
| 2017 | | 20,429,888 |
| 2018 | | 2,604,415 |
| 2019 | | 4,324,167 |
| Thereafter | | 15,904,744 |
| Total notes payable | $ | 88,748,979 |

## (11) Lines of Credit

Opportunity has entered into a line of credit agreement with one bank providing for borrowings up to $5,250,000. The line has an interest rate based on the three-month LIBOR (London Interbank Offered Rate) plus 1.50%. The assets of the Cornerstone Fund provide collateral for this line. As of December 31, 2014 and 2013, there was no balance outstanding under this line of credit.

## (12) Noncontrolling Interest

Below is the activity in noncontrolling interest for the year ended December 31, 2014:

| | | Beginning balance | Interest in net gain (loss) of consolidated subsidiaries | Increase (decrease) in share capital | Ending balance |
|---|---|---|---|---|---|
| Opportunity Bank Ghana | $ | 2,003,343 | (650,947) | 565,794 | 1,918,190 |
| Opportunity Kenya | | (1,018,577) | (87,001) | — | (1,105,578) |
| Opportunity Bank Malawi | | 1,759,065 | (2,131,728) | 250,798 | (121,865) |
| Opportunity Bank Mozambique | | 1,120,425 | (836,623) | 500,000 | 783,802 |
| Opportunity Romania | | 1,541,522 | (41,142) | (97,416) | 1,402,964 |
| Opportunity Bank Rwanda | | 2,590,884 | (428,749) | 97,416 | 2,259,551 |
| Opportunity Bank Serbia | | 6,108,469 | — | (6,108,469) | — |
| Opportunity South Africa | | 741,201 | — | (741,201) | — |
| Opportunity Tanzania | | 1,880,806 | (504,746) | — | 1,376,060 |
| Opportunity Bank Uganda | | 1,223,884 | 46,698 | — | 1,270,582 |
| Opportunity Colombia | | 1,521,604 | (128,370) | — | 1,393,234 |
| Total | $ | 19,472,626 | (4,762,608) | (5,533,078) | 9,176,940 |

## (13) USAID Agreements

Opportunity entered into funding agreements with the United States Aid for International Development (USAID) over various periods for microenterprise development purposes in overseas countries as follows:

| Program | | Total grant | Funds received through December 31, 2014 | Completion date |
|---|---|---|---|---|
| Serbia 2003 | $ | 9,966,025 | 9,966,025 | September 2018 |
| Ghana HF Implementation Grant Program | | 797,036 | 797,036 | May 2013 |

Included in the charitable funds accrued liabilities is $8,000,000, payable to USAID upon the termination of the Serbia 2003 Cooperative Agreement. See note 14(b) for further information.

## (14) Commitments and Contingencies

### *(a) Lease Obligations*

Opportunity leases office space in Illinois and Pennsylvania under operating leases. The Illinois lease was set to expire April 30, 2015 but an amendment was signed extending the lease to June 30, 2015. The other office is rented on a month-to-month basis. Rent expense for the years ended December 31, 2014 and 2013 was approximately $357,043 and $299,783, respectively. Future minimum operating lease payments as of December 31, 2014 are as follows:

| | | |
|---|---|---|
| 2015 | $ | 122,504 |
| Thereafter | | — |
| Total | $ | 122,504 |

The banks lease office space and equipment in the various countries in which they are located under operating leases. Rent expense for the years ended December 31, 2014 and 2013 was $3,125,557 and $3,716,072, respectively. Future minimum operating lease payments as of December 31, 2014 are as follows:

| | | |
|---|---|---|
| 2015 | $ | 1,621,159 |
| 2016 | | 1,638,708 |
| 2017 | | 1,390,732 |
| 2018 | | 1,436,643 |
| 2019 | | 1,398,795 |
| Thereafter | | 2,581,392 |
| Total | $ | 10,067,429 |

### *(b) Government Grants*

The amount of U.S. government grant revenue reflected in the accompanying consolidated financial statements is subject to review and possible adjustment by granting agencies. Amounts recovered from the U.S. government include indirect costs based upon calculated overhead rates, which are subject to possible increases or decreases under audit by the granting agencies. The amount of costs that may be disallowed by the granting agencies cannot be determined at this time. It is the opinion of management that unallowable costs, if any, will be insignificant.

Certain of the grant agreements with the U.S. government have fiscal matching requirements to satisfy the conditions of the grant. Opportunity contractually passes those fiscal matching requirements through to its nongovernmental organizational members. Opportunity management believes its nongovernmental organizational members have satisfied those matching requirements.

On August 29, 2013, Opportunity and USAID agreed to an amendment of the 2003 Serbia Cooperative agreement, which extended the termination date from September 27, 2013 to September 27, 2018 or when special provisions are met, whichever is sooner. The agreement provides required steps leading to the final disposition of Opportunity's requirement to return the $8,000,000 capital contribution or accomplishment of specific milestones, which will satisfy Opportunity's requirement for repayment of the $8,000,000, which has been accrued through December 31, 2014.

### *(c) Reserve and Regulatory Capital Requirements*

OTI's foreign for profit microfinance companies have certain regulatory capital requirements that they must maintain.

The Bank of Ghana requires Opportunity Bank Ghana to maintain a prescribed ratio of total capital to total risk-weighted assets. A minimum capital adequacy ratio of 10% must be maintained. As of December 31, 2014 and 2013, Opportunity Bank Ghana met these regulatory requirements.

The Reserve Bank of Malawi requires Opportunity Bank Malawi to maintain a 1% general provision against risk assets and a minimum ratio of 10% for core and 15% of total capital to risk-weighted assets, respectively. As of December 31, 2014 and 2013, Opportunity Bank Malawi met these regulatory requirements.

The Central Bank of Mozambique requires Opportunity Bank Mozambique to hold the minimum level of regulatory capital of 70,000,000 MT (approximately U.S. $2,100,000 as of December 31, 2014) and to maintain a prescribed ratio of total capital to total risk-weighted assets of not less than 8%. As of December 31, 2014 and 2013, Opportunity Bank Mozambique met these regulatory requirements. Opportunity Bank Mozambique accumulated losses were over 50% of its capital as of December 31, 2014, which places the Bank under the situation stipulated in Article 119 of the Mozambique Commercial Code. The Bank is taking steps to reduce losses and increase capital to mitigate the consequences of the stipulated Article.

The National Bank of Rwanda requires Opportunity Bank Rwanda to maintain minimum reserves of 8% of deposits, 100% liquidity of three-month assets to three-month liabilities, and 10% capital adequacy. As of December 31, 2014 and 2013, Opportunity Bank Rwanda met these regulatory requirements.

Opportunity Bank Serbia is required to maintain a minimum capital adequacy ratio of 12% as established by the National Bank of Serbia. Pursuant to the Law on Banks and Other Financial Institutions, savings banks registered in Serbia are required to maintain total qualifying capital at a minimum amount of €10 million in dinar counter-value $12,154,800 as of December 31, 2014). As of December 31, 2014 and 2013, Opportunity Bank Serbia met these regulatory requirements.

Opportunity Bank Uganda is required to maintain ratios of core capital to risk-weighted assets of 12.5% and total capital to risk-weighted assets of 14.5% under the Financial Institutions Act 2004 of Uganda. As of December 31, 2014 and 2013, Opportunity Bank Uganda met these regulatory requirements.

The Order of the President of the Board of Administrators of the National Bank of Romania number 27/2011 requires Opportunity Romania's equity to remain above 50% of the subscribed share capital; however, as of December 31, 2014 and 2013, Opportunity Romania's statutory equity fell below this threshold. Opportunity Romania has implemented a long-term plan to restore its equity to the required statutory minimum.

## (15) Employee Benefit Plan

All domestic and expatriate employees of Opportunity who have completed three months of service are eligible to participate in a defined-contribution benefit plan (403(b) plan) sponsored by Opportunity. Participants are eligible to make individual contributions up to a limit determined by age and salary level. Benefit expense representing Opportunity's discretionary contribution to the plan amounted to $648,959 and $505,409 for the years ended December 31, 2014 and 2013, respectively.

## (16) Related-Party Transactions

Included in program services in the consolidated statement of activities are grant expenses of $13,685,177 and $12,174,938 in 2014 and 2013, respectively, which relate to disbursements made by Opportunity to its affiliated member organizations.

Notes payable totaling $1,478,056 and $750,000 as of December 31, 2014 and 2013, respectively, were due to board members of Opportunity. Pledges for future donations of $1,985,000 and $43,075 were due from board members of Opportunity as of December 31, 2014 and 2013, respectively.

## (17) Subsequent Events

### *(a) Exchange Rate Fluctuations (Unaudited)*

Through May 31, 2015, exchange rates fluctuated such that foreign assets and liabilities decreased in value by approximately $24.8 million and $19.8 million, respectively, resulting in a decrease in net assets of approximately $5 million, due solely to exchange rate.

### *(b) Reserve and Regulatory Capital Requirements (Unaudited)*

As of May 31, 2015, OTI's foreign for-profit microfinance companies in Ghana, Malawi, Mozambique, Rwanda, Serbia, and Uganda met the regulatory requirements in their respective countries. Opportunity Bank Mozambique and Opportunity Romania continue to be in noncompliance of the Commercial Codes requiring accumulated losses be less than 50% of total capital.

### *(c) MicroVest Note Payable (Unaudited)*

On February 4, 2015, OTI paid in full the principal and accrued interest on the MicroVest note.

### *(d) Investment in Opportunity Bank Serbia (Unaudited)*

On February 6, 2015, OTI converted a €2,000,000 ($2,289,840) note into 4,081 shares of Opportunity Serbia Bank. OTI owns 100% of the 29,599 ordinary shares issued by Opportunity Serbia Bank.



(Continued)

***(e) Office Lease (Unaudited)***

On March 2, 2015, Opportunity signed an 81-month lease for office space in Chicago, IL. Opportunity will move its headquarters from Oak Brook, IL to Chicago on July 1, 2015.