KPMG

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Financial Statements

December 31, 2016
(with comparative totals for 2015)

(With Independent Auditors' Report Thereon)

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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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, 2016, 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 revenues constituting 14% of consolidated total revenues, inclusive of revenue attributed to discontinued operations, for the year ended December 31, 2016. 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, 2016, 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' 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information presented in the Charitable Activities, Banking Activities, and Eliminations columns on pages 3 and 4 and the Charitable Activities and Banking Activities columns on page 6 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
September 29, 2017

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Financial Position

December 31, 2016
(with comparative totals for 2015)

	2016				
Assets	**Charitable activities**	**Banking activities**	**Eliminations**	**Total**	**2015**
Cash and cash equivalents	$ 16,520,634	23,320,001	(1,197,607)	38,643,028	31,426,444
Restricted cash and investments:					
Cornerstone fund	—	—	—	—	6,038,311
Other	771,057	—	—	771,057	2,195,274
Pledges receivable, net	7,828,406	—	—	7,828,406	17,904,588
Investments, at fair value	541,753	—	—	541,753	658,135
Notes receivable, net	8,294,959	—	(5,753,133)	2,541,826	3,155,414
Loans receivable, net	—	124,532,195	—	124,532,195	117,429,503
Other receivables, net	555,290	—	(200,935)	354,355	25,761
Donor-advised assets	390,668	—	—	390,668	272,568
Prepaid expenses and other assets	447,190	3,508,705	—	3,955,895	4,386,774
Investment in other institutions	5,932,737	—	(1,270)	5,931,467	11,227,491
Building, furniture, and equipment, net	2,839,709	3,101,305	—	5,941,014	5,672,286
Assets of disposal group classified as held for sale	2,652,732	66,515,192	—	69,167,924	130,355,986
Total assets	$ 46,775,135	220,977,398	(7,152,945)	260,599,588	330,748,535
Liabilities and Net Assets					
Accounts payable and accrued liabilities	$ 11,328,004	5,220,568	(200,935)	16,347,637	18,550,591
Notes payable	21,180,869	39,125,130	(5,695,301)	54,610,698	62,981,793
Deferred revenue	—	1,633,464	—	1,633,464	1,222,128
Deposits from customers	—	82,351,923	(1,197,607)	81,154,316	76,708,549
Liabilities of disposal group classified as held for sale	—	60,721,513	—	60,721,513	109,161,393
Total liabilities	32,508,873	189,052,598	(7,093,843)	214,467,628	268,624,454
Noncontrolling interest	—	3,398,064	(1,270)	3,396,794	4,993,288
Net assets:					
Unrestricted	(4,253,925)	28,526,736	(57,832)	24,214,979	27,744,257
Temporarily restricted	18,520,187	—	—	18,520,187	24,378,911
Permanently restricted	—	—	—	—	5,007,625
Total net assets	14,266,262	28,526,736	(57,832)	42,735,166	57,130,793
Total liabilities and net assets	$ 46,775,135	220,977,398	(7,152,945)	260,599,588	330,748,535

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2016
(with comparative totals for 2015)

	2016							
	Unrestricted							
	Charitable activities	Banking activities	Eliminations	Total	Temporarily restricted	Permanently restricted	Total	2015
Operating activities:								
Charitable support, gains, and losses:								
Private contributions	$ 12,535,520	—	—	12,535,520	6,706,792	—	19,242,312	20,899,022
Government grants	—	—	—	—	629,347	—	629,347	477,108
Other	831,934	(347,104)	(410,434)	74,396	—	—	74,396	68,559
Net assets released from restrictions	18,202,488	—	—	18,202,488	(13,194,863)	(5,007,625)	—	—
Total charitable support, gains, and losses	31,569,942	(347,104)	(410,434)	30,812,404	(5,858,724)	(5,007,625)	19,946,055	21,444,689
Banking revenue:								
Loan interest income	—	27,194,148	—	27,194,148	—	—	27,194,148	27,206,170
Other fees and income	—	1,482,045	—	1,482,045	—	—	1,482,045	2,130,777
Total banking revenue	—	28,676,193	—	28,676,193	—	—	28,676,193	29,336,947
Total support and revenue	31,569,942	28,329,089	(410,434)	59,488,597	(5,858,724)	(5,007,625)	48,622,248	50,781,636
Expenses:								
Charitable expenses:								
Program services:								
Grants for member organizations for operations and client loans	5,130,524	—	—	5,130,524	—	—	5,130,524	9,239,634
Development of member organizations	15,000,903	—	—	15,000,903	—	—	15,000,903	19,058,019
Total program services	20,131,427	—	—	20,131,427	—	—	20,131,427	28,297,653
Supporting services:								
Fundraising	4,301,394	—	—	4,301,394	—	—	4,301,394	7,839,437
Management and general	2,511,814	—	—	2,511,814	—	—	2,511,814	3,256,182
Total supporting services	6,813,208	—	—	6,813,208	—	—	6,813,208	11,095,619
Total charitable expenses	26,944,635	—	—	26,944,635	—	—	26,944,635	39,393,272
Banking expenses:								
Interest	—	7,204,793	(651,398)	6,553,395	—	—	6,553,395	6,599,691
Provision for loan losses	—	1,355,567	—	1,355,567	—	—	1,355,567	1,424,974
Operating expenses	—	16,805,468	—	16,805,468	—	—	16,805,468	17,125,549
Total banking expenses	—	25,365,828	(651,398)	24,714,430	—	—	24,714,430	25,150,214
Total expenses	26,944,635	25,365,828	(651,398)	51,659,065	—	—	51,659,065	64,543,486
Increase (decrease) in net assets from continuing operating activities	4,625,307	2,963,261	240,964	7,829,532	(5,858,724)	(5,007,625)	(3,036,817)	(13,761,850)
Discontinued operations:								
Loss from operations of discontinued banking activities (including loss on disposal of $1,016,873 and $13,949,971 in 2016 and 2015, respectively)	—	(9,544,231)	492,685	(9,051,546)	—	—	(9,051,546)	(24,953,578)
Nonoperating activities:								
(Loss) gain on investments (including $3,731,294 and $600,000 impairment in 2016 and 2015, respectively)	(3,002,056)	—	(730,031)	(3,732,087)	—	—	(3,732,087)	1,105,315
Foreign currency translation loss for continuing operations	—	(746,566)	(98,111)	(844,677)	—	—	(844,677)	(3,583,508)
Noncontrolling interest in net loss of consolidated subsidiaries	—	2,163,117	—	2,163,117	—	—	2,163,117	6,944,097
Increase (decrease) in net assets from nonoperating activities	(3,002,056)	1,416,551	(828,142)	(2,413,647)	—	—	(2,413,647)	4,465,904
Investment in banking activities	3,352,126	(3,425,458)	179,715	106,383	—	—	106,383	29,997
Increase (decrease) in net assets	4,975,377	(8,589,877)	85,222	(3,529,278)	(5,858,724)	(5,007,625)	(14,395,627)	(34,219,527)
Net assets:								
Beginning of year	(9,229,302)	37,116,613	(143,054)	27,744,257	24,378,911	5,007,625	57,130,793	91,350,320
End of year	$ (4,253,925)	28,526,736	(57,832)	24,214,979	18,520,187	—	42,735,166	57,130,793

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended December 31, 2016
(with comparative amounts for 2015)

		2016	2015
Cash flows from operating activities:			
Decrease in net assets	$	(5,344,081)	(9,265,949)
Discontinued operations		(9,051,546)	(24,953,578)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation		1,753,945	1,870,299
Foreign currency translation loss		844,677	3,583,508
Provision for loan losses		1,355,567	1,424,974
Net gain (loss) attributable to noncontrolling interests		191,489	(114,579)
Net realized and unrealized loss on investments		43,494	177,330
Equity in loss of investment in other institutions		170,484	395,929
Impairment of investment in other institutions		3,731,294	600,000
Changes in assets and liabilities:			
Pledges and other receivables		9,747,588	10,537,642
Prepaid expenses and other assets		312,779	3,033,012
Accounts payable and accrued liabilities		(2,202,954)	1,204,429
Deferred revenue		411,336	(419,072)
Noncontrolling interest		566,623	2,760,445
Net cash provided by (used in) operating activities of continuing operations		2,530,695	(9,165,610)
Net cash provided by operating activities of discontinued operations		2,470,147	19,127,859
Net cash provided by operating activities		5,000,842	9,962,249
Cash flows from investing activities:			
Loan originations, net of principal collections		(8,458,259)	(615,579)
Sale (purchase) of investments in unconsolidated affiliates		874,418	(5,358,170)
Sale of restricted cash and investments		7,535,415	3,406,131
Additions of building, furniture, and equipment, net		(532,035)	(2,586,713)
Collections (issuance) of notes receivable, net		425,929	(465,903)
Net cash used in investing activities of continuing operations		(154,532)	(5,620,234)
Net cash provided by investing activities of discontinued operations		5,144,392	8,431,182
Net cash provided by investing activities		4,989,860	2,810,948
Cash flows from financing activities:			
Proceeds from notes payable		9,000,958	18,420,205
Principal payments of notes payable		(17,372,053)	(24,525,921)
Deposits from customers, net		4,445,767	(3,478,007)
Net cash used in financing activities of continuing operations		(3,925,328)	(9,583,723)
Net cash provided by (used in) financing activities of discontinued operations		1,995,887	(10,442,686)
Net cash used in financing activities		(1,929,441)	(20,026,409)
Effect of exchange rate changes on cash		(844,677)	(3,583,508)
Net increase (decrease) in cash and cash equivalents		7,216,584	(10,836,720)
Cash and cash equivalents at beginning of year		31,426,444	42,263,164
Cash and cash equivalents at end of year	$	38,643,028	31,426,444
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	13,895,346	13,329,974
Cash paid for taxes		315,728	733,655
Supplemental disclosure of noncash investing and financing transactions:			
Conversion of notes receivable into investment in subsidiaries	$	970,810	5,426,896
Sale of majority interest resulting in notes receivable to the organization		783,151	—

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended December 31, 2016
(with comparative amounts for 2015)

	2016						
	Charitable activities						
	Program services	Fundraising	Management and general	Total	Banking activities	Total	2015 Total
Grants for member organizations for operations and client loans	$ 5,130,524	—	—	5,130,524	—	5,130,524	9,239,634
Grants for Opportunity International Network and Opportunity Inc.	5,834,536	—	—	5,834,536	—	5,834,536	8,339,043
Salaries and benefits	3,591,889	3,315,433	984,022	7,891,344	8,936,505	16,827,849	19,844,027
Provision for loan loss	—	—	—	—	1,355,567	1,355,567	1,424,974
Rent and utilities	53,080	4,800	446,231	504,111	1,272,121	1,776,232	1,851,238
Travel and hosting	183,255	361,125	75,365	619,745	593,626	1,213,371	1,957,746
Professional fees	1,480,153	148,049	812,234	2,440,436	1,646,250	4,086,686	6,514,726
Miscellaneous expense	732,033	157,459	(289,407)	600,085	1,526,526	2,126,611	1,880,775
Interest expense	1,123,133	—	30,943	1,154,076	6,553,395	7,707,471	7,895,894
Telephone	9,209	24,063	23,159	56,431	216,409	272,840	333,189
Foreign exchange loss	—	—	—	—	1,612	1,612	21,201
Depreciation expense	1,012,429	—	139,219	1,151,648	602,297	1,753,945	1,870,299
Board meetings and conferences	14,086	12,756	11,488	38,330	15,030	53,360	157,455
Supplies, printing, and office equipment	576,838	33,981	241,010	851,829	315,408	1,167,237	698,566
Income tax expense	—	—	—	—	549,182	549,182	534,969
Postage and shipping	1,100	13,467	4,934	19,501	114,358	133,859	175,883
Training	5,463	12,349	1,016	18,828	78,489	97,317	89,173
Promotional materials	215,542	217,038	2,503	435,083	136,861	571,944	804,127
Donor-advised grant expense	132,185	—	—	132,185	—	132,185	194,445
Insurance	35,972	874	29,097	65,943	800,794	866,737	716,122
Total expenses	$ 20,131,427	4,301,394	2,511,814	26,944,635	24,714,430	51,659,065	64,543,486

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, Opportunity International Canada, and Opportunity Hong Kong 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.

Effective April 1, 2014, Opportunity and two other Network support members signed a strategic alliance agreement with Opportunity, Inc., a nonprofit entity incorporated January 23, 2014. Opportunity, Inc. was established (i) to provide relief to the poor and to help end extreme poverty in the world by providing finance services to microfinance clients; (ii) to provide support and management services to Network affiliates; and (iii) to develop investment and global branding strategies for Network members. Opportunity, Inc. is not consolidated in the accompanying financial statements, as it is not a legal subsidiary of Opportunity.

Opportunity provides a majority of the funding for the Network and Opportunity, Inc.'s operations, along with providing accounting and management services. These services are considered Opportunity's dues for Network membership and support for Opportunity, Inc. Total costs incurred by Opportunity, included in development of member organizations on the consolidated statements of activities, related to the Network and Opportunity, Inc. are $5,834,536 and $8,339,043 for the years ended December 31, 2016 and 2015, respectively.

Program services expense in the charitable activities section of the accompanying consolidated statement of activities includes grants made to the Network and Opportunity, Inc. 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 controlled banks are consolidated in Opportunity's financial statements. If a controlling 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 majority interests in the microfinance organizations included in continuing operations are as follows:

(i) Opportunity Banka a.d. Novi Sad (Opportunity Bank Serbia) – During 2015, OTI converted $2,289,840 of debt to Equity and maintained 100% ownership as of December 31, 2016 and 2015.

(ii) Opportunity Microcredit Romania IFN SA (Opportunity Romania) – As of December 31, 2016 and 2015, OTI owned 66.5% of the outstanding shares of Opportunity Romania.

(iii) Opportunity International Colombia S.A. Compania de Financiamiento (Opportunity Colombia) – During 2016, OTI made an additional capital investment of $474,804. No additional investment was made during 2015. As of December 31, 2016 and 2015, OTI owned 72.1% and 71.1%, respectively, of the outstanding shares of Opportunity Colombia.

The controlling interests in microfinance organizations included in discontinued operations as of December 31, 2016 are as follows (note 8):

(iv) Banco Oportunidade de Mocambique, SARL (Opportunity Bank Mozambique) – During 2015, OTI made an additional investment of $647,723 and owned 66.7% of the outstanding shares of Opportunity Bank Mozambique. During 2016, OTI made an additional investment of $560,552. Effective June 30, 2016, OTI sold its ownership interest in Opportunity Bank Mozambique to an unrelated third party.

(v) Opportunity International Savings & Loans Limited in Ghana (Opportunity Bank Ghana) – During 2016, an unrelated member's ownership interest was transferred to OTI in fulfillment of an outstanding debt with OTI. As of December 31, 2016 and 2015, OTI owned 75.9% and 70.7%, respectively, of the outstanding shares of Opportunity Bank Ghana.

(vi) Opportunity International Bank of Malawi, Ltd. (Opportunity Bank Malawi) – During 2015, OTI converted debt of $2,500,000 to equity and made an additional investment of $3,059,000. During 2016, OTI made additional capital investments of $2,493,930. As of December 31, 2016 and 2015, OTI owned 80.5% and 71.1%, respectively, of the outstanding shares of Opportunity Bank Malawi.

(vii) Opportunity International Bank Rwanda, S.A. (Opportunity Bank Rwanda) – During 2015, OTI purchased $585,770 of equity, $280,400 through conversion of prior years' loans and the balance with additional funds. As of December 31, 2015, OTI owned 47.4% of the outstanding shares of Opportunity Bank Rwanda and was able to exercise additional voting rights of another Opportunity Network member. Effective December 15, 2016, OTI sold its ownership interest in Opportunity Bank Rwanda to an unrelated third party.

(viii) Opportunity Kenya Limited (Opportunity Kenya) – As of December 31, 2015, OTI owned 89.1% of the outstanding shares of Opportunity Kenya. Effective June 30, 2016, OTI sold its ownership interest in Opportunity Kenya to an unrelated third party.

(ix) Opportunity Bank Uganda Limited (Opportunity Bank Uganda) – As of December 31, 2016 and 2015, OTI owned 36.7% and 85.7%, respectively, of the outstanding shares of Opportunity Bank Uganda. Effective September 30, 2016, OTI sold 49% of its ownership interest in Opportunity Bank Uganda to an unrelated third party. OTI's remaining investment of $3,789,617, less impairment of $1,136,885, is accounted for under the equity method and included in assets of disposal group classified as held for sale as of December 31, 2016.

(x) Opportunity Tanzania Limited (Opportunity Tanzania) – As of December 31, 2015, OTI owned 67.5% of the outstanding shares of Opportunity Tanzania. Effective June 30, 2016, OTI sold its ownership interest in Opportunity Tanzania to an unrelated third party.

(xi) Opportunity International DRC SPRL (Opportunity DRC) – As of December 31, 2015, OTI owned 100% of the outstanding shares of Opportunity DRC. Effective September 26, 2016, OTI sold 80% of its ownership interest in Opportunity DRC to an unrelated third party in exchange for consideration of one dollar. As of December 31, 2016, OTI maintains a 20% ownership interest in Opportunity DRC accounted for under the equity method. The value of its ownership interest has been reduced to zero. The write-down of the investment was included in loss on discontinued operations in 2015.

On January 23, 2014, OTI incorporated Opportunity International Nicaragua, Inc. (OINIC) to provide (i) assistance in the operation and maintenance of agricultural processing plants in Nicaragua that can assist in local community development, improve agricultural methods, and provide assistance to poor farmers; (ii) assistance to local artisans in production, management, and marketing of their products based on principles of fair trade practices; (iii) support and develop community-led projects and promote leadership development among youth and adults in selected communities in Nicaragua; (iv) operation of technical schools to impart education and technical skills to needy children, youth, and/or adults in selected parts of Nicaragua; (v) help to build local self-sufficiency for poor people with locally run, sustainable institutions; (vi) engage in other areas of business which fulfill the purposes of the Corporation; and (vii) make grants, distributions, and equity investments in organizations both in the U.S. and abroad in furtherance of its exempt purpose. Net assets of approximately $1.4 million including land, buildings, and equipment owned by Opportunity were transferred to OINIC during the year ended December 31, 2016. The assets and liabilities of OINIC are included in charitable assets and liabilities on the consolidated statement of financial position, and the revenue and expenses of OINIC are included in charitable activities on the consolidated statement of activities.

On May 20, 2014, OTI incorporated Opportunity Shared Services Limited (OSSL) in Ghana to provide information technology services to other Opportunity Network members. During 2016 and 2015, OSSL provided services to eight of the OTI majority-owned banks. The assets and liabilities of OSSL are included in the charitable assets and liabilities of the consolidated statement of financial position and the expenses of OSSL are included in the charitable activities of the consolidated statement of activities. All OSSL grant revenue received from Opportunity and service revenue received from the subsidiaries has been eliminated in consolidation. OSSL ceased operations and sold remaining assets to a local partner as of September 30, 2016.

On December 18, 2014, OTI incorporated Opportunity Transformation Investments B.V. (OTI BV), a private company with limited liability under the laws of the Netherlands to hold the assumed notes from European Fund for Southeast Europe S.A. (EFSE) (note 10). The assets and liabilities of OTI BV are included in the charitable assets and liabilities of the consolidated statement of financial position and the revenue and expenses of OTI BV are included in the charitable activities of the consolidated statement of activities.

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% of MEHL as of December 31, 2014. 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. The value of Opportunity’s investment in MEHL was reduced to zero as of December 31, 2014 after recording its share of the MEHL losses. In September 2015, Opportunity sold its remaining shares of MEHL for $2,100,000. As the investment was previously reduced to zero, 100% of the proceeds are included as a gain on investment.

(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, 2016 and 2015:

		2016	2015
Unrestricted net assets of continuing operations:			
Opportunity International – United States	$	(4,311,757)	(9,372,356)
Opportunity Bank Serbia		19,191,412	17,334,558
Opportunity Romania		549,822	644,655
Opportunity Colombia		4,406,186	3,463,512
Subtotal – continuing operations		19,835,663	12,070,369
Unrestricted net assets of disposal group classified as held for sale:			
Opportunity Bank Mozambique		—	1,730,712
Opportunity Bank Ghana		4,748,808	4,542,271
Opportunity Bank Malawi		(369,492)	(550,947)
Opportunity Bank Rwanda		—	2,060,441
Opportunity Kenya		—	770,638
Opportunity Bank Uganda		—	6,698,144
Opportunity Tanzania		—	422,629
Subtotal – disposal group		4,379,316	15,673,888
Total	$	24,214,979	27,744,257

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, 2016 and 2015:

	2016	2015
For periods after December 31	$ 5,907,291	15,061,559
Programs in Latin America and Colombia	436,449	604,903
Programs in Asia	707,501	628,553
Programs in Africa	1,195,032	872,991
Education Finance programs	3,724,948	1,088,052
Other programs	6,548,966	6,122,853
Total	$ 18,520,187	24,378,911

Net assets were released from donor restrictions during the years ended December 31, 2016 and 2015 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

	2016	2015
Programs in Africa	$ 2,927,178	8,923,423
Programs in Latin America and Colombia	2,819,804	379,371
Programs in Asia	1,175,110	5,308,626
Education Finance programs	1,718,487	2,186,426
Other programs	4,554,284	8,137,812
Total	$ 13,194,863	24,935,658

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, 2015, 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. 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. During the year ended December 31, 2016, the board of directors approved a resolution to utilize the endowment assets to repay the outstanding balance on the line of credit in its entirety.

Banking Activities – This category reports the consolidated results of the commercial banks in which OTI has investments of greater than 50% or a controlling interest. 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 microfinance institutions that OTI has controlling 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. During the year ended December 31, 2016, OTI sold its ownership interested in several of these banks. See note 9.

(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 $5,250,246 and $9,566,235 in 2016 and 2015, 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 $1,503,647 and $5,875,452 as contribution revenue in the accompanying consolidated statement of activities, and the corresponding amount was included as reduction of a note, equipment and services or as grants to the Network and member organizations in the accompanying consolidated statement of financial position for 2016 and 2015, respectively.

(c) 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.

(d) 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.

(e) Restricted Cash and Investments

Restricted cash and investments at December 31, 2016 and 2015 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).

(f) 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.

(g) Investment in Other Institutions

Investments in other institutions in which OTI holds less than 50% or does not have control 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.

OTI reviews investments in other institutions for impairment whenever events or changes in circumstances indicate the carrying amount of the investment may not be recoverable. OTI recognized impairment losses on its investments in other institutions of $3,731,294 and $600,000 as of December 31, 2016 and 2015, respectively. The amounts have been included in the loss on investments in nonoperating activities on the consolidated statement of activities.

(h) Accrued Interest Receivable on Loans

Interest is accrued on loans when earned and included in other assets of banking activities in the consolidated statement of financial position. 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.

(Continued)

(i) Allowance for Loan Losses

Allowances have been established for loan losses that are probable as of the balance sheet date. 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.

(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 40 years. Accumulated depreciation on building, furniture, and equipment of continuing operations was $6,642,075 and $4,776,752 at December 31, 2016 and 2015, 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 1.8% and 2% was utilized as of December 31, 2016 and December 31, 2015, respectively. The difference is classified as unrestricted contributions on the consolidated statement 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) 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.

(m) 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.

(n) 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, as amended. Accordingly, Opportunity and OTI are generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for federal or state income taxes has been made as Opportunity and OTI are not engaged in any unrelated business income activities. Opportunity and OTI believe they have taken no significant uncertain tax positions as of December 31, 2016 or 2015.

The microfinance institutions included in the accompanying consolidated financial statements pay taxes in accordance with their respective country's laws at rates ranging from 15% to 34% of taxable income and current tax expense is recorded for these amounts. Income tax expense is included in banking operating expenses on the consolidated statement of activities. 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.

(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, 2015, from which the summary information was derived.

(p) Recently Adopted Accounting Standards

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which changes the definition of, and certain reporting requirements for, discontinued operations. Specifically, ASU 2014-08 limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have a major effect on an entity's operations and financial results. The new standard is effective for Opportunity for any disposals of components of Opportunity in annual periods in fiscal years beginning after December 15, 2014. The Company adopted ASU 2014-08 as of January 1, 2015. The effect of adopting the new standard in the current period is addressed in note 9 to the consolidated financial statements.

(q) Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through September 29, 2017, the date the consolidated financial statements were issued (note 18).

(3) Fair Value of Financial Instruments

Opportunity follows 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 pledges 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, 2016 and 2015, 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, 2016		
	Level 1	**Level 2**	**Level 3**
Money market funds – unrestricted cash equivalents	$ 454,313	—	—
Money market funds – restricted cash equivalents	757,267	—	—
Short-term investments	333,115	—	—
Common stock	—	—	169,870
Foreign currency swap asset	—	38,768	—
Foreign government securities and bonds	—	1,382,086	—
Total	$ 1,544,695	1,420,854	169,870

	December 31, 2015		
	Level 1	**Level 2**	**Level 3**
Money market funds-unrestricted cash equivalents	$ 2,400,233	—	—
Money market funds-restricted cash equivalents	7,287,914	—	—
Short-term investments	156,812	—	—
Common stock	—	—	164,695
Foreign currency swap asset	—	48,550	—
Foreign government securities and bonds	3,429,348	—	—
Total	$ 13,274,307	48,550	164,695

Foreign government securities and bonds are included in banking activities cash and cash equivalents in the consolidated statement of financial position.

The following table presents a summary of changes in the fair value of Opportunity's Level 3 assets for the year ended December 31, 2016:

Beginning balance, January 1, 2016	$ 164,695
Net gain on investments	5,175
Ending balance, December 31, 2016	$ 169,870

(4) Endowments

Endowment fund agreements were between Opportunity and various donors. Opportunity's endowment funds were 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, were classified and reported based on the existence of donor-imposed restrictions.

In the investment and handling of funds, Opportunity was 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 classified 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 was added to the fund. The remaining portion of the donor-restricted endowment fund that was not classified in permanently restricted net assets was classified as temporarily restricted net assets until those amounts were appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considered 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, 2016 and 2015.

Opportunity adopted an investment policy for endowment assets that attempted to provide a reasonably predictable stream of funding to support its activities while seeking to preserve capital. Endowment assets

(Continued)

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 expected that its endowment assets, under the current strategy, would 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 relied on a strategy in which investment returns are achieved primarily through interest income. As Opportunity's endowment funds grew, this strategy may have been revised to accommodate capital appreciation through investment in equity securities. However, the size of the current endowment assets prohibited Opportunity from adopting an effective diversification strategy.

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

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. During the year ended December 31, 2016, the board of directors approved a resolution to utilize the endowment assets to repay the outstanding balance on the line of credit in its entirety.

Changes in the fair value of Opportunity's endowment assets were as follows for the years ended December 31, 2016 and 2015:

		2016			2015		
		Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	Total
Investment return:							
Investment income	$	—	—	—	4,605	—	4,605
Net depreciation		—	—	—	(53,513)	—	(53,513)
Total investment return		—	—	—	(48,908)	—	(48,908)
Amounts appropriated for expenditure		(1,030,686)	(5,007,625)	(6,038,311)	—	—	—
Endowment net assets at:							
Beginning of year		1,030,686	5,007,625	6,038,311	1,079,594	5,007,625	6,087,219
End of year	$	—	—	—	1,030,686	5,007,625	6,038,311
Net assets by type of fund:							
Donor-restricted endowment	$			—	—	5,007,625	5,007,625
Investment return				—	1,030,686	—	1,030,686
Total net assets	$	—	—	—	1,030,686	5,007,625	6,038,311

(5) Investments and Investment in Other Institutions

Investments consist of the following as of December 31, 2016 and 2015:

		2016	2015
Short-term investments	$	333,115	444,890
Common stock		169,870	164,695
Swap asset		38,768	48,550
Total investments at fair value	$	541,753	658,135

Investment income from charitable activities for the years ended December 31, 2016 and 2015 consists of the following:

		2016	2015
Interest	$	190,310	79,301
Dividends		22,875	6,814
Realized gain (loss) on investments		(22,638)	2,220,598
Unrealized loss on investments		(20,856)	(205,469)
Equity loss from other institutions		(3,901,778)	(995,929)
Gain (loss) on investments, net	$	(3,732,087)	1,105,315

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

		2016	2015
BFSE Holding B.V. (4.3%)	$	—	1,135,724
MFX Solutions, LLC. (1.2%)		235,644	226,876
Opportunity Kauswagan Bank, Inc. (common and preferred shares)		—	635,000
Growing Opportunity Finance (India) Pvt. Ltd (.8%)		18,722	13,423
Opportunity International Nicaragua, Inc.		—	1,490,638
SEAF Serbia Impact Fund B.V. (60%)		83,332	57,214
Opportunity International China Ltd. (32.8%)		2,495,995	3,918,484
Dia Vikas Capital Pvt. Ltd-India (8.63%)		2,507,580	3,096,224
Redeemable noncontrolling interest in Opportunity Colombia		590,194	653,908
Total investment in other institutions	$	5,931,467	11,227,491

Under the terms of an Opportunity Colombia shareholder agreement dated December 2, 2010 between OTI and four other noncontrolling shareholders, one of the noncontrolling shareholders has the right to require OTI to purchase (the Put Option) their interest, approximately 10.21%, of the outstanding capital stock of Opportunity Colombia. The shareholder agreement was amended during 2016, allowing the Put Option to be exercisable between 42 and 72 months from when the noncontrolling shareholder puts in additional capital, which is to be completed prior to December 31, 2017. The price paid upon exercise will be determined based on the greater of established fair market value of the Opportunity Colombia shares or the initial investment of the shareholder adjusted for inflation. Accordingly, OTI recorded approximately $590,194 and $653,908 in the investment in other financial institutions and in accrued liabilities in the accompanying consolidated statement of financial position as of December 31, 2016 and 2015, respectively.

Equity income (loss) from the investment in other institutions, including impairment loss of $3,731,294 and $600,000 in 2016 and 2015, respectively, consists of the following:

		2016	2015
BFSE Holding B.V.	$	(1,160,750)	(95,440)
MFX Solutions, LLC.		8,768	17,018
Opportunity Kauswagan Bank, Inc.		(635,000)	(744,021)
SEAF Serbia Impact Fund B.V.		(108,964)	(96,233)
Opportunity International China Ltd.		(1,422,488)	(71,416)
Growing Opportunity Finance (India) Pvt. Ltd.		5,299	2,939
Dia Vikas Capital Pvt. Ltd		(588,643)	(8,776)
Total equity loss from other institutions	$	(3,901,778)	(995,929)

(Continued)

(6) Notes Receivable

Notes receivable as of December 31, 2016 and 2015 are as follows:

		2016	2015
Microfinance Loan Obligations S.A., interest rate 0%	$	—	144,455
Association de Oportunidad y Desarrollo Economico de Nicaragua (ASODENIC), interest rate 0%		130,000	130,000
ASODENIC, interest rate 3%		100,000	100,000
Sinapi Aba Trust (SAT), Ghana, interest rate at 0%		97,594	432,231
Alalay Sa Kaunlaran Sa Gitnang Luzon Inc (ASKI), interest rate 0%		52,638	49,041
ASPIRE, interest rate 0%		176,666	176,666
Thuthukani Financial Services (Pty) Ltd. (TFS), interest rate 0%		—	820,931
Dia Vikas Capital Pvt. Ltd (Dia Vikas), interest rate 12%		1,035,000	1,035,000
Opportunity Kauswagan Remit Inc. (OK Remit), interest 0%		200,000	200,000
Opportunity International China Ltd. (Opportunity China), interest 0%		—	570,333
Opportunity Uganda, interest 0%		102,500	—
Opportunity Kenya, interest 10%		268,151	—
Opportunity Tanzania, interest 0%		412,500	—
Coop ASPIRE, interest 10%		306,579	315,166
Taytay Sa Kauswagan Inc. (TSKI) interest rate 0%		11,446	11,446
Taytay Sa Kauswagan Inc. (TSKI) interest rate 9%		73,556	77,695
Subtotal notes receivable		2,966,630	4,062,964
Less allowance for uncollectible amounts		(424,814)	(907,550)
Total net notes receivable	$	2,541,816	3,155,414

The ASODENIC, ASPIRE, Dia Vikas, OK Remit, and Opportunity International China Ltd. notes are convertible to equity upon demand. During 2016, the note with Opportunity International China Ltd. was converted to a grant. During 2015, the note from SAT was reduced by $249,523 to the estimated value of the collateral, shares of Opportunity Bank Ghana. In 2016, this note was satisfied by the transfer of the collateral shares in Opportunity Bank Ghana to OTI. The $820,931 TFS note represents the amount due from the purchaser of the shares of Opportunity South Africa. TFS paid the outstanding principal in February 2016, net a prepayment discount of $186,200.

(7) 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 ten years at interest rates of between 3% and 53%. Certain loans may be collateralized by security such as cash or mortgages. Loans outstanding of continuing operations as of December 31, 2016 and 2015 consist of the following:

		2016	2015
Loans receivable	$	128,084,912	121,275,384
Less loan loss allowance		(3,552,717)	(3,845,881)
Net loan portfolio	$	124,532,195	117,429,503

Gross loan portfolio by product for the years ended December 31, 2016 and 2015 is as follows:

		2016	2015
Individual	$	81,207,040	78,341,291
Small and medium enterprise (SME)		45,683,946	41,410,685
Individual groups		238,368	263,947
Nonbusiness		955,558	1,259,461
Total gross loans	$	128,084,912	121,275,384

A summary of the activity in the allowance for loan losses for the years ended December 31, 2016 and 2015 is as follows:

		2016	2015
Balance at beginning of year	$	3,845,881	4,248,803
Provision for loan losses		1,355,567	1,424,974
Loans charged off		(2,121,384)	(1,332,701)
Recovery of loans previously written off		568,768	84,366
Foreign currency translation loss		(96,115)	(579,561)
Balance at end of year	$	3,552,717	3,845,881

The following tables summarize the activity in the loan loss allowance by product for the years ended December 31, 2016 and 2015:

Year ended December 31, 2016		Individual	SME	Individual groups	Nonbusiness	Total
Balance at beginning of year	$	2,306,965	1,502,029	23,937	12,950	3,845,881
Provision for loan losses		821,183	534,384	—	—	1,355,567
Loans charged off		(1,376,355)	(745,029)	—	—	(2,121,384)
Recovery of loans previously written off		497,226	71,542	—	—	568,768
Foreign currency translation loss		(51,824)	(39,979)	(5,625)	1,313	(96,115)
Balance at end of year	$	2,197,195	1,322,947	18,312	14,263	3,552,717
Reserve components:						
Individually evaluated for impairment	$	1,488,035	775,875	18,312	14,263	2,296,485
Collectively evaluated for impairment		709,160	547,072	—	—	1,256,232
Total	$	2,197,195	1,322,947	18,312	14,263	3,552,717

Year ended December 31, 2015		Individual	SME	Individual groups	Nonbusiness	Total
Balance at beginning of year	$	2,754,930	1,489,044	4,038	791	4,248,803
Provision for loan losses		361,931	1,045,924	—	17,119	1,424,974
Loans charged off		(546,122)	(786,579)	—	—	(1,332,701)
Recovery of loans previously written off		163,836	(79,470)	—	—	84,366
Foreign currency translation loss		(427,610)	(166,890)	19,899	(4,960)	(579,561)
Balance at end of year	$	2,306,965	1,502,029	23,937	12,950	3,845,881
Reserve components:						
Individually evaluated for impairment	$	1,797,522	851,964	23,937	12,950	2,686,373
Collectively evaluated for impairment		509,443	650,065	—	—	1,159,508
Total	$	2,306,965	1,502,029	23,937	12,950	3,845,881

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, 2016 and 2015:

		2016	2015
Opportunity Bank Serbia	$	83,909,658	77,350,320
Opportunity Romania		5,540,976	8,847,836
Opportunity Colombia		35,081,561	31,231,347
Balance at end of year	$	124,532,195	117,429,503

The following is a summary of expected loan maturities as of December 31, 2016 and 2015:

		2016	2015
Less than 1 month	$	4,092,483	5,196,189
From 1 to 3 months		2,014,026	2,393,998
From 3 to 12 months		18,069,907	18,942,494
Over 1 year		100,355,779	90,896,822
Balance at end of year	$	124,532,195	117,429,503

Aging analysis of gross loans receivable as of December 31, 2016 and 2015 is as follows:

		2016	2015
Current	$	122,277,856	115,684,858
30–59 days past due		908,915	661,332
60–89 days past due		517,240	193,043
90 days and over past due		4,380,901	4,739,151
Total gross loans receivable	$	128,084,912	121,278,384

There were no loans to employees and officers of these banks as of December 31, 2016. Loans to employees and officers of these banks totaled $48,861 at December 31, 2015.

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.

(Continued)

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, 2016 and 2015 was approximately $3.1 million and $3.8 million, respectively. Impaired loan statistics are summarized in the following tables:

December 31, 2016		Amount with impairment reserves	Amount without impairment	Total impaired loans	Impairment reserve	Interest income recognized
Individual	$	1,943,150	58,993	2,002,143	1,096,574	28,879
SME		998,995	59,438	1,058,433	777,126	10,324
Total	$	2,942,145	118,431	3,060,576	1,873,700	39,203

December 31, 2015		Amount with impairment reserves	Amount without impairment	Total impaired loans	Impairment reserve	Interest income recognized
Individual	$	1,790,828	240,577	2,031,405	1,128,571	86,179
SME		1,410,788	279,512	1,690,300	937,217	13,189
Groups		—	27,659	27,659	—	—
Nonbusiness		—	6,377	6,377	—	—
Total	$	3,201,616	554,125	3,755,741	2,065,788	99,368

Troubled debt restructurings (TDR) represent loans for which the original contractual terms have been modified to provide for terms that are less than what management 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, 2016 and 2015, and as a result became classified as TDR's:

December 31, 2016		Amount with allowance	Amount without allowance	Total TDR loans	Related allowance	Average TDR balance	Interest income recognized
Individual	$	1,883,092	186,514	2,069,606	924,171	3,007	55,548
SME		1,239,680	289,052	1,528,732	1,404,577	8,854	5,054
Total	$	3,122,772	475,566	3,598,338	2,328,748	11,861	60,602

December 31, 2015		Amount with allowance	Amount without allowance	Total TDR loans	Related allowance	Average TDR balance	Interest income recognized
Individual	$	1,233,033	241,076	1,474,109	556,823	2,753	5,016
SME		950,212	232,579	1,182,791	812,632	8,742	6,464
Total	$	2,183,245	473,655	2,656,900	1,369,455	11,495	11,480

(8) Discontinued Operations

Opportunity considers a component to be classified as discontinued operations when it meets the criteria established under guidance that was effective for Opportunity on January 1, 2015 related to reporting discontinued operations and disclosures of disposals of components of Opportunity. Disposals that represent a strategic shift that should have or will have a major effect on Opportunity's operations and financial results qualify as discontinued operations. The results of discontinued operations are reported in discontinued operations in the consolidated statement of activities for current and prior periods commencing in the period in which the business meets the criteria of a discontinued operation, and include any gain or loss recognized on closing or adjustment of the carrying amount to fair value less cost to sell.

During 2015, OTI made the decision to sell its banking activities located in Africa. Because the banking activities in this region are a major part of OTI's operations and financial results, OTI has determined that this disposal represents a strategic shift. Accordingly, the assets and liabilities of the banking activities located in Mozambique, Ghana, Malawi, Rwanda, Kenya, Uganda, Tanzania, and the Democratic Republic of Congo have been segregated and reported as held for sale in the consolidated statement of financial position as of December 31, 2016, with comparative presentation for 2015. Furthermore, the banking activities in these regions have been segregated and reported as discontinued operations in the consolidated statement of activities for all periods presented.

OTI does not plan to retain any ownership interest for these banking activities after disposal, except for its interest in Opportunity DRC. On March 31, 2016, OTI signed an agreement to sell 80% of its shares in Opportunity DRC to VisionFund International, a nonprofit religious corporation established under the laws of California. The transaction received regulatory approval on August 29, 2016 and closed on September 26, 2016. As of December 31, 2015, OTI owned 100% of this banking activity. After the sale, OTI retained a 20% ownership interest. The estimated fair value of the banking activity of Opportunity DRC is zero and was written down in 2015. After the sale, OTI began to account for its remaining 20% interest in Opportunity DRC by the equity method. Due to nominal activity in 2016, OTI's investment in DRC remains at zero as of December 31, 2016.

On October 27, 2015, OTI and Opportunity entered into a share purchase agreement to sell its shares in six banks serving sub-Saharan Africa to MyBucks S.A. (MyBucks); a Luxembourg based financial technology company. Opportunity will be a minority shareholder in MyBucks and retain at least one board seat at the parent level and one board seat of each bank. Each transaction is subject to regulatory approval. On July 1, 2016, the shares of Opportunity Kenya, Opportunity Tanzania, and Opportunity Bank Mozambique were sold to MyBucks. The Central Bank of Uganda approved the sale of a portion of OTI's shares of Opportunity Bank Uganda. The transfer will result in a phased reduction of OTI's ownership of Opportunity Bank Uganda. Effective September 30, 2016, OTI sold 49% of total shares in Opportunity Bank

Uganda to MyBucks. As of December 31, 2016, OTI will account for its remaining interest of 36.7% under the equity method until all shares are sold. OTI recognized an additional loss on impairment on its investment in Opportunity Bank Uganda of $1,136,885 during the year ended December 31, 2016. OTI's investment in Opportunity Bank Uganda of $2,652,732 as of December 31, 2016 has been included in assets of disposal group classified as held for sale on the consolidated statement of financial position. Opportunity Inc. has assumed the responsibility for the warranties in connection with the sale of Opportunity Bank Mozambique, Opportunity Kenya, Opportunity Tanzania, and Opportunity Bank Uganda for the consideration of $2,250,000 of MyBucks shares. The partnership with MyBucks will combine cutting edge financial inclusion technology solutions with Opportunity's transformation, agriculture, and education services.

Applications for the sale of shares in Opportunity Bank Ghana and Opportunity Bank Malawi were not approved by the Central Bank of Ghana and the Reserve Bank of Malawi, respectively, during 2016. The banking activities of these two banks are reported as discontinued operations in 2016 as OTI continues to implement its divestiture strategy.

On September 9, 2016, OTI signed an agreement to sell all of its shares in Opportunity Bank Rwanda to Hope Advancement, Inc., a nonprofit corporation established under the laws of Delaware and current owner of 49% of the shares of the bank. The transaction closed on December 15, 2016.

OTI estimated a loss on the disposal of its banking activities classified as held for sale as of December 31, 2015, of approximately $13.9 million. The loss was recognized as a reduction in value of the assets of the disposal group as of December 31, 2015. $3.8 million of the loss on disposal group was attributable to noncontrolling interests. As of December 31, 2016, OTI recognized an additional write-down in its remaining ownership interest in Opportunity Bank Uganda of $1,016,873.

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations to total assets and liabilities of the disposal group classified as held for sale in the consolidated statement of financial position as of December 31, 2016 and 2015:

		2016	2015
Carrying amounts of major classes of assets included as part of discontinued operations:			
Cash and cash equivalents	$	27,928,878	43,510,776
Loans receivable, net of allowance		25,547,108	72,106,883
Prepaid expenses and other assets		10,099,977	13,690,858
Building, furniture, and equipment, net of accumulated depreciation		8,869,979	14,997,440
Loss on assets of disposal group classified as held for sale		(5,930,750)	(13,949,971)
Equity investment in Opportunity Bank Uganda		2,652,732	—
Total assets of the disposal group classified as held for sale in the consolidated statement of financial position	$	69,167,924	130,355,986

		2016	2015
Carrying amounts of major classes of liabilities included as part of discontinued operations:			
Accounts payable and accrued liabilities	$	3,483,716	9,616,127
Deposits from customers		50,420,291	81,189,441
Notes payable		4,687,875	12,175,594
Deferred revenue		2,129,631	6,180,231
Total liabilities of the disposal group classified as held for sale in the consolidated statements of financial position	$	60,721,513	109,161,393

The following table represents a reconciliation of the major classes of line items constituting the results of discontinued operations for the years ended December 31, 2016 and 2015:

		2016	2015
Major classes of line items constituting the loss of discontinued operations:			
Revenue:			
Loan interest income	$	34,531,004	40,871,854
Other fees and income		9,796,714	13,811,021
Total revenue		44,327,718	54,682,875
Expenses:			
Interest		5,426,113	5,719,987
Provision for loan losses		4,434,611	3,365,341
Management and general, including income tax expense		39,269,646	49,451,125
Total operating expenses		49,130,370	58,536,453
Nonoperating activities:			
Net loss on assets of disposal group classified as held for sale		(1,016,873)	(13,949,971)
Net loss from cumulative effect of change in ownership		(853,003)	—
Net unrealized loss on foreign currency translation		(2,379,018)	(7,150,029)
Loss from discontinued banking activities		(9,051,546)	(24,953,578)
Net loss attributable to noncontrolling interests		2,354,606	6,829,518
Net loss attributable to OTI	$	(6,696,940)	(18,124,060)

(Continued)

(9) Deposits from Customers

Deposits from customers of continuing operations as of December 31, 2016 and 2015 consist of the following:

		2016	2015
Opportunity Bank Serbia:			
Demand deposits	$	17,780,731	15,440,192
Short-term deposits		23,809,867	20,314,152
Long-term deposits		18,724,163	24,417,488
Total Opportunity Bank Serbia		60,314,761	60,171,832
Opportunity Colombia:			
Demand deposits		411,835	382,523
Short-term deposits		9,010,110	7,019,141
Long-term deposits		11,417,610	9,135,053
Total Opportunity Colombia		20,839,555	16,536,717
Total deposits from customers	$	81,154,316	76,708,549

(10) Notes Payable

Notes payable of continuing operations as of December 31, 2016 and 2015 include the following:

		2016	2015
Opportunity Bank Serbia:			
Note payable, 5.50% interest, maturity – equal annual installments from March 2016 to March 2020	$	4,148,668	5,412,364
Note payable, 4.5% maturity June 2017 to May 2018		5,185,841	5,412,348
Note payable, 6.5% interest, maturity November 2023		2,074,338	—
Note payable, 7.5% interest, maturity February 2023		2,074,330	2,164,943
Note payable, 6-month Euribor +5.3% interest, maturity December 2017 to December 2020		5,185,832	3,247,415
Note payable, 6-month Euribor +5.8% interest, maturity June 2016 to December 2020		1,185,332	1,855,667
Note payable, 4.70% interest, maturity May and June 2016		—	324,744
Subtotal Opportunity Bank Serbia		19,854,341	18,417,481

		2016	2015
Opportunity Romania:			
Note payable, 10.50% interest, maturity June 2017	$	311,039	646,280
Note payable, 10.50% interest, maturity December 2017		235,074	488,862
Note payable, 6-month Bubor+3.00%, maturity March 2018		454,631	98,206
Note payable, 6-month Bubor+4.00%, maturity September 2016		—	374,289
Note payable, Euro Swap Rate+5.17% maturity June 2017		560,935	1,161,616
Note payable, 3-month Bubor+4.60% maturity January 2017		114,179	237,090
Note payable, 3-month Bubor+4.60% maturity May 2017		310,576	645,557
Note payable, 6-month Euribor+4.00% maturity May 2017		420,586	871,406
Note payable, 6-month Euribor+4.00% maturity February 2017		210,293	435,234
Subtotal Opportunity Romania		2,617,313	4,958,540
Opportunity Colombia:			
Note payable, 0.5% interest Maturity May 2017		—	5,000
Note payable, 8.11% interest, maturity June 2016		—	1,500
Note payable, 2.24% interest, maturity June 2016		—	2,500
Note payable, 3.35% interest, maturity May 2018		—	1,500
Note payable, 1.5% interest, maturity June 2018		—	7,373
Note payable, 2.44% interest, maturity June 2018		—	7,500
Line of Credit, variable interest rates 1.70% to 8.81%, maturity 2017		1,016,800	1,246,749
Line of Credit, variable interest rates 1.70% to 8.81%, maturity 2017		382,801	2,990,956
Line of Credit, variable interest rates 0.08% to 9.51%, maturity 2018		3,454,048	3,644,187
Line of Credit, variable interest rates 0.08% to 9.51%, maturity 2019 to 2026		6,104,526	3,586,547
Subtotal Opportunity Colombia		10,958,175	11,493,812
Total banking notes payable		33,429,829	34,869,833

		2016	2015
Investing notes payable:			
Note payable, 0% interest, maturity July 2017	$	250,000	250,000
Note payable, 1% interest, maturity November 2016		—	665,844
Note payable, 2% interest, maturity October 2016		—	500,000
Note payable, 2% interest, maturity November 2016		—	250,000
Note payable, 2% interest, maturity December 2016		—	250,000
Note payable, 2% interest, maturity April 2017		100,000	100,000
Notes payable, 2% interest, maturity November 2017		500,000	500,000
Note payable, 2% interest, maturity December 2017		800,000	800,000
Note payable, 2% interest, maturity April 2018		100,000	100,000
Note payable, 2% interest, maturity December 2018		500,000	500,000
Note payable, 2% interest, maturity April 2019		100,000	100,000
Note payable, 2% interest, maturity July 2019		250,000	250,000
Note payable, 2% interest, maturity August 2019		125,000	125,000
Notes payable, 2% interest, maturity October 2019		600,000	600,000
Note payable, 2% interest, maturity April 2020		100,000	100,000
Note payable, 2% interest, maturity May 2020		250,000	250,000
Note payable, 2% interest, maturity December 2020		—	250,000
Note payable, 2% interest, maturity January 2021		250,000	250,000
Note payable, 2% interest, maturity April 2021		100,000	100,000
Note payable, 2% interest, maturity May 2021		1,000,000	1,000,000
Note payable, 2% interest, maturity August 2021		1,000,000	1,000,000
Note payable, 2% interest, maturity January 2018-2020		1,750,000	—
Notes payable, 7% interest, maturity December 2021		11,672,199	9,436,463
Notes payable, 6.75% interest, maturity January 2017		1,156,705	4,005,980
Note payable, 5% interest, maturity July 2017		16,513	43,729
Note payable, 5% interest, maturity January 2017		493,452	592,944
Note payable, 1% interest, November 2017		67,000	92,000
Note payable, LIBOR + 1.5% interest, maturity 2016		—	6,000,000
Total charitable notes payable		21,180,869	28,111,960
Total notes payable	$	54,610,698	62,981,793

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 were used to support microfinance initiatives in the impoverished regions in Africa. As of December 31, 2015, there was $832,117 in notes receivable outstanding to one majority-owned partner in Africa, with terms in accordance with the Gates Foundation agreement, which was eliminated in consolidation. On October 15, 2015, the Gates Foundation agreed to grant $3,800,000 of the loan and OTI agreed to pay the reminder of the loan by December 31, 2015. There is no obligation remaining as of December 31, 2016.

Impact Investment Fund notes of $5,775,000 and $7,025,000 were outstanding as of December 31, 2016 and December 31, 2015, respectively. Maturities range from one to eight years. Annual interest is 2.00%.

On June 4, 2014, OTI entered into € 4,400,000 ($4,626,820 and $4,798,640 as of December 31, 2016 and 2015, respectively, with $1,156,705 and $4,005,980 outstanding as of December 31, 2016 and 2015, respectively, loan agreements with the responsAbility Global Microfinance Fund and responsAbility SICAV Microfinance Leaders Fund. The notes bear the 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 payments due January 23, 2017. The proceeds of the notes were used to purchase the shares of Opportunity Bank Serbia from the noncontrolling interests. These notes were paid in full in January 2017.

On December 17, 2014, OTI issued ten notes totaling €11,100,000 ($11,672,205 and $12,127,194 as of December 31, 2016 and 2015, respectively) with an annual interest rate of 7%. The notes mature on December 17, 2021. Included were notes issued to Opportunity for €2,462,824 ($2,589,782 and $2,690,730 as of December 31, 2016 and 2015, respectively) and notes totaling €1,010,346 ($1,062,429 and $1,103,842 as of December 31, 2016 and 2015, respectively) to OTI board members. 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 ($6,309,300 and $6,543,600 as of December 31, 2016 and 2015, respectively) plus accrued interest. Opportunity Bank Serbia is the issuer of the assigned notes. €2,000,000 of the notes was converted to equity in Opportunity Bank Serbia during 2015. Opportunity sold its note to another noteholder in 2016 for face value.

Aggregate maturities of notes payable as of December 31, 2016 are as follows:

2017	$ 7,007,675
2018	10,981,445
2019	6,880,970
2020	6,130,506
2021	14,743,043
Thereafter	8,867,059
Total notes payable	$ 54,610,698

(11) Lines of Credit

Opportunity has entered into a line of credit agreement with one bank providing for borrowings up to $6,000,000. 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 provided collateral for this line. The outstanding balance was $6,000,000 under this line of credit as of December 31, 2015 and was included in notes payable on the Consolidated Statement of Financial Position. During the year ended December 31, 2016, the board of directors approved a resolution to utilize the endowment assets to repay the outstanding balance on the line of credit in its entirety.

(12) Noncontrolling Interest

Below is the activity of the noncontrolling interest for the years ended December 31, 2016 and 2015:

	December 31, 2016			
	Beginning balance	Interest in net gain (loss) of consolidated subsidiaries	Increase (decrease) in share capital	Ending balance
Noncontrolling interest of continuing operations:				
Opportunity Romania	$ 286,510	(34,826)	25,833	277,517
Opportunity Colombia	1,263,182	226,315	215,417	1,704,914
Subtotal – continuing operations	1,549,692	191,489	241,250	1,982,431
Noncontrolling interest of disposal group classified as held for sale:				
Opportunity Bank Mozambique	346,825	(383,354)	36,529	—
Opportunity Bank Ghana	996,422	171,683	335,638	1,503,743
Opportunity Bank Malawi	(307,517)	(434,234)	652,371	(89,380)
Opportunity Bank Rwanda	1,445,256	(1,287,912)	(157,344)	—
Opportunity Kenya	90,243	(54,687)	(35,556)	—
Opportunity Bank Uganda	812,083	(102,176)	(709,907)	—
Opportunity Tanzania	60,284	(263,925)	203,641	—
Subtotal – disposal group	3,443,596	(2,354,605)	325,372	1,414,363
Total	$ 4,993,288	(2,163,116)	566,622	3,396,794

	Beginning balance	consolidated subsidiaries	(decrease) in share capital	Ending balance
Noncontrolling interest of continuing operations:				
Opportunity Romania	$ 1,402,964	(104,527)	(1,011,927)	286,510
Opportunity Colombia	1,393,234	(10,052)	(120,000)	1,263,182
Subtotal – continuing operations	2,796,198	(114,579)	(1,131,927)	1,549,692
Noncontrolling interest of disposal group classified as held for sale:				
Opportunity Bank Mozambique	783,802	(628,348)	191,371	346,825
Opportunity Bank Ghana	1,918,190	(161,738)	(760,030)	996,422
Opportunity Bank Malawi	(121,865)	(3,367,652)	3,182,000	(307,517)
Opportunity Bank Rwanda	2,259,551	(1,423,326)	609,031	1,445,256
Opportunity Kenya	(1,105,578)	(204,179)	1,400,000	90,243
Opportunity Bank Uganda	1,270,582	(258,499)	(200,000)	812,083
Opportunity Tanzania	1,376,060	(785,776)	(530,000)	60,284
Subtotal – disposal group	6,380,742	(6,829,518)	3,892,372	3,443,596
Total	$ 9,176,940	(6,944,097)	2,760,445	4,993,288

(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, 2016	Completion date
Serbia 2003	$ 9,966,025	9,966,025	September 2018

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. Opportunity moved its Illinois offices from Oakbrook to Chicago on July 1, 2015. The Pennsylvania office is rented on a month-to-month basis. Rent expense for the years ended December 31, 2016 and 2015 was approximately $470,810 and $499,873, respectively. Future minimum operating lease payments as of December 31, 2016 are as follows:

2017	$	393,577
2018		506,199
2019		596,778
2020		711,989
2021		767,707
Thereafter		195,598
Total	$	3,171,848

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, 2016 and 2015 was $687,225 and $751,093, respectively. Future minimum operating lease payments as of December 31, 2016 are as follows:

		Continuing operations	Disposal group	Total
2017	$	572,739	126,347	699,086
2018		480,321	269,138	749,459
2019		437,928	86,479	524,407
2020		420,094	1,846	421,940
2021		133,636	127,317	260,953
Thereafter		—	73,757	73,757
Total	$	2,044,718	684,884	2,729,602

(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 as of December 31, 2016.

(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, 2016 and 2015, 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, 2016 and 2015, Opportunity Bank Malawi met these regulatory requirements.

The Central Bank of Mozambique required Opportunity Bank Mozambique to hold the minimum level of regulatory capital of 70,000,000 MT (approximately $1,106,000 and $1,484,000 as of June 30, 2016 and December 31, 2015, respectively), and to maintain a prescribed ratio of total capital to total risk-weighted assets of not less than 8%. Effective June 30, 2016, OTI sold its ownership interest in Opportunity Bank Mozambique to an unrelated third party. As of December 31, 2015, Opportunity Bank Mozambique met these regulatory requirements.

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. Effective December 15, 2016, OTI sold its ownership interest in Opportunity Bank Rwanda to another shareholder of the bank. As of December 31, 2015, 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 ($10,536,000 and $10,906,000 as of December 31, 2016 and 2015, respectively). As of December 31, 2016 and 2015, 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, 2016 and 2015, Opportunity Bank Uganda met these regulatory requirements.

The Superintendency of Colombia requires Opportunity Colombia to maintain Technical Equity above 9% of the assets in local and foreign currency weighted by risk level, pursuant to what is indicated in Article 2 of Decree 1720 of 2001. As of December 31, 2016 and 2015, Opportunity Colombia met these regulatory requirements.

(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 $378,985 and $554,459 for the years ended December 31, 2016 and 2015, respectively, and is included in salaries and benefits on the consolidated statement of functional expenses.

(16) Related-Party Transactions

Included in program services in the consolidated statement of activities are grant expenses of $10,965,060 and $17,578,677 in 2016 and 2015, respectively, which relate to disbursements made by Opportunity to its affiliated member organizations.

During the years ended December 31, 2016 and 2015, OTI paid Opportunity, Inc. investment advisory fees of $827,849 and $1,029,291, respectively. The fees paid to Opportunity, Inc. are included in professional fees in program services on the statement of functional expenses.

Notes payable totaling $1,062,429 and $1,353,842 as of December 31, 2016 and 2015, respectively, were due to board members of Opportunity. Interest paid to related parties was $78,763 and $80,627 in 2016 and 2015, respectively.

Pledges for future donations of $696,500 and $2,021,418 were due from board members of Opportunity as of December 31, 2016 and 2015, respectively.

(17) Risk and Uncertainties

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, 2016, OTI had two 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. A portion of loans are short-term in nature; about 11.9% and 22.6% are due within one year as of December 31, 2016 and 2015, 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 meet. Additionally, each institution monitors liquidity on a daily basis to meet its internal liquidity requirements. Total cash on hand of the combined banks is approximately $23 million and $24 million as of December 31, 2016 and 2015, respectively, which is approximately 15% and 16% of total assets of the combined banks in 2016 and 2015, respectively.

(18) Subsequent Events

(a) Investment in Other Institutions

On July 7, 2017, the shareholders of BFSE Holding B.V. agreed to sell all BFSE shares to an unrelated third party. OTI's portion of the estimated net proceeds is € 622,740 ($731,812 as of July 31, 2017).

(b) Notes Payable

On June 23, 2017, OTI and the payee of a $500,000 note due to mature on November 15, 2017, agreed to amend the maturity date to November 15, 2020 and interest rate to 3% per annum.

(c) Reserve and Regulatory Capital Requirements

As of September 29, 2017, OTI's foreign for profit microfinance companies in Ghana, Colombia, Serbia, and Uganda met the regulatory requirements in their respective countries.

Subsequent to December 31, 2016, Opportunity Bank Malawi has been unable to meet the minimum capital adequacy levels required by the Malawi Financial Services Act Directive 2012. The Reserve Bank of Malawi granted a waiver to Opportunity Bank Malawi (OIBM) to meet minimum capital ratios by July 31, 2017. The Directors of Opportunity Bank Malawi have concluded that, on the basis of a successful completion of the acquisition of OIBM by First Merchant Bank, OIBM will be able to realize its assets and settle its liabilities in the ordinary course of business, and that the use of the going concern assumption is appropriate in the preparation of these financial statements.

(Continued)

(d) Sale and Purchase Agreement

The shareholders of OIBM and First Merchant Bank (FMB) agreed on a 100% acquisition of OIBM shares and an approval from the Reserve Bank of Malawi (RBM) was granted on July 11, 2017. Management control was passed over to FMB immediately upon receiving the approval from RBM and the two banks are now reporting joint daily Liquidity Reserve Requirement (LRR) to RBM as well as meeting the LRR.

In accordance with local regulations, final approval is pending from Competition and Fair Trade Commission of Malawi (CFTC), as at the date of these financial statements. FMB submitted their application to CFTC on July 31, 2017, with final approval expected within the mandatory 45 day period. However, interim consent to proceed with the transaction from CFTC was granted on August 9, 2017 on the basis that should the CFTC's assessment establish that the transaction would likely raise serious competition concerns, OIBM and FMB risk being asked to unwind the acquisition.

On August 18, 2017, the shareholders of OIBM sold all shares to FMB for the agreed purchase price. The estimated loss on the disposal of OIBM's net assets was included in loss on discontinued operations in 2015.