FINCA International, Inc.

Consolidated Financial Statements and
Supplemental Schedules as of and for the
Year Ended December 31, 2013, and
Independent Auditors' Report

FINCA INTERNATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
FINCA International, Inc.
Washington, D.C.

We have audited the accompanying consolidated financial statements of FINCA International, Inc. and its subsidiaries (FINCA), which comprise the consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 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 auditor's 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 FINCA'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 FINCA'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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FINCA and its subsidiaries as of December 31, 2013 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating Schedules and Other Supplemental Schedule

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, and changes in net assets, and are not a required part of the consolidated financial statements. The consolidated schedule of functional expenses is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, and changes in net assets, and is not a required part of the consolidated financial statements. These schedules are the responsibility of FINCA's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules 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, such schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Deloitte + Touche LLP

June 10, 2014

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

	2013
ASSETS	
CASH AND CASH EQUIVALENTS	$ 155,060,628
RESTRICTED CASH AND CASH EQUIVALENTS (Note 8)	25,054,057
SHORT-TERM INVESTMENTS (Note 6 and 9)	8,261,193
LOANS RECEIVABLE — Net (Note 10)	828,793,935
GRANTS RECEIVABLE — Net	3,817,764
OTHER RECEIVABLES, PREPAIDS, AND OTHER ASSETS (Note 11)	16,127,756
PROPERTY AND EQUIPMENT — Net (Note 12)	29,135,224
INTANGIBLE ASSETS — Net (Note 13)	14,961,450
LONG-TERM INVESTMENTS AND OTHER ASSETS (Note 6 and 9)	14,250,454
GOODWILL (Note 20)	1,108,117
DEFERRED TAX ASSETS (Note 7)	8,081,528
TOTAL	$ 1,104,652,106
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable and other accrued liabilities (Note 14)	$ 36,232,443
Client deposits (Note 15)	78,354,279
Notes payable (Note 16)	644,350,196
Subordinated debt (Note 17)	22,558,246
Other liabilities (Note 6)	1,650,749
Deferred revenue (Note 18)	7,702,074
Deferred benefits (Note 19)	3,504,764
Deferred tax liabilities (Note 7)	1,245,419
Total liabilities	795,598,170
NET ASSETS:	
Unrestricted net assets, FINCA	183,396,344
Unrestricted net assets, non-controlling interest	123,796,630
Total unrestricted net assets	307,192,974
Temporary restricted net assets (Note 23)	1,860,962
Total net assets	309,053,936
TOTAL	$ 1,104,652,106

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporary Restricted	Total 2013
OPERATING REVENUES:			
Contributions:			
Corporate, foundation, and individual giving	$ 11,581,032	$ 1,411,969	$ 12,993,001
Services and gifts in kind	2,848,012	-	2,848,012
Program:			
Interest income	307,025,050	-	307,025,050
Grants and contracts, including federal government	15,593,236	-	15,593,236
Fees and other program income	17,339,952	-	17,339,952
Net assets released from restrictions	1,627,890	(1,627,890)	-
Total operating revenues	356,015,172	(215,921)	355,799,251
OPERATING EXPENSES:			
Program services	313,051,586	-	313,051,586
Fundraising	3,815,725	-	3,815,725
General and administrative	15,008,823	-	15,008,823
Total operating expenses	331,876,134	-	331,876,134
CHANGE IN NET ASSETS FROM OPERATIONS	24,139,038	(215,921)	23,923,117
INVESTMENT AND FOREIGN EXCHANGE GAIN	26,701	-	26,701
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC BENEFIT COST GAIN (Note 19)	867,225	-	867,225
TRANSLATION LOSSES OF FOREIGN OPERATIONS	(4,487,453)	-	(4,487,453)
CHANGE IN NET ASSETS BEFORE INCOME TAXES	20,545,511	(215,921)	20,329,590
INCOME TAXES (Note 7)	9,100,297	-	9,100,297
CHANGE IN NET ASSETS BEFORE NON-CONTROLLING INTERESTS	11,445,214	(215,921)	11,229,293
ISSUE OF FMH INTERESTS TO NON-CONTROLLING SHAREHOLDERS	49,999,511	-	49,999,511
NON-CONTROLLING INTEREST ON THE PURCHASE OF FINCA BANK LTD. PAKISTAN	1,967,241	-	1,967,241
CHANGE IN NET ASSETS	63,411,966	(215,921)	63,196,045
NET ASSETS — Beginning of year	243,781,008	2,076,883	245,857,891
NET ASSETS — End of year	$ 307,192,974	$ 1,860,962	$ 309,053,936

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets after income taxes	$ 11,229,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Foreign currency translation loss	4,487,453
Depreciation and amortization	9,892,099
Credit loss provision	15,554,212
Loss on disposal of property and equipment	559,059
Foreign exchange gains	(26,701)
Pension-related changes other than net periodic benefit cost	(867,225)
Fair value losses	2,305,908
(Decrease) increase in cash and cash equivalents as a result of net changes in:	
Accrued interest receivable	(6,048,846)
Grants receivable	(1,746,504)
Other receivables, prepaid, and other assets	(2,840,336)
Accounts payable and other accrued liabilities	6,805,609
Accrued interest payable	2,676,892
Deferred revenue	(3,912,055)
Deferred defined benefits	(482,613)
Changes in deferred tax assets and liabilities	(3,277,578)
Net cash provided by operating activities	34,308,667
CASH FLOWS FROM INVESTING ACTIVITIES:	
Decrease in restricted cash and cash equivalents	(2,695,316)
Proceeds from sale of investments	8,114,760
Net change in loans to customers	(207,890,648)
Purchase of property and equipment	(15,137,214)
Purchase of intangible assets	(6,929,751)
Proceeds from sales/disposal of fixed assets	342,075
Net cash on acquisition of FINCA Bank Limited, Pakistan	1,247,257
Net cash used in investing activities	(222,948,837)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from sale of ownership interests in a subsidiary	49,999,511
Net change in customers' deposits	15,156,225
Proceeds from borrowings	408,735,208
Repayment of borrowings to lenders	(242,766,445)
Net cash provided by financing activities	231,124,499
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,484,329
CASH AND CASH EQUIVALENTS:	
Beginning of year	114,632,334
Exchange losses on cash and cash equivalents	(2,056,035)
End of year	$ 155,060,628
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash received for interest	$ 285,721,156
Cash payments for interest	$ (56,793,284)
Cash payments for income taxes	$ (11,152,826)

See notes to consolidated financial statements.

1. NATURE OF ACTIVITIES

FINCA International, Inc. (FINCA or "FINCA International") is a not-for-profit organization, incorporated in the state of New York, United States of America (USA), as a tax-exempt public charity under the Section 501(c)(3) of the United States Internal Revenue Code. Founded in 1984, FINCA provides financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets, and improve their standard of living. FINCA's headquarters are located in Washington, D.C., USA.

FINCA is the majority shareholder (60.91%) of FINCA Microfinance Holding Company LLC (FMH) with minority positions held by social and development institutions led by International Finance Corporation (World Bank group), KfW (the German Development Bank), along with FMO (the Dutch Development Bank), responsAbility, Triple Jump, and the newest addition of 2013, Triodos Fair Share Fund and Triodos Microfinance Fund, represented by Triodos Investment Management, BV, three socially responsible investment funds located in Europe.

At present, FINCA, through FMH has major microfinance operations in 22 developing countries in Latin America (Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, and Nicaragua), Africa (Democratic Republic of the Congo, Malawi, Tanzania, Uganda, and Zambia), Eurasia (Armenia, Azerbaijan, Georgia, Kosovo, Kyrgyzstan, Russia, and Tajikistan), and the Middle East (Afghanistan, Jordan, and Pakistan). FINCA operates local entities ("Subsidiaries") that are owned and/or controlled by FINCA, including predominantly corporations and in some cases, non-governmental organizations or branches of FINCA International.

Subsidiaries principally provide small loans to individuals and to groups of individuals that lack access to traditional financial institutions. In most cases, FINCA loans are made to groups of individuals referred to as "Village Banks." These groups consist of individuals that know each other, guarantee each other's loans, and provide a network of support for the group members. Individual loans, typically larger in size, are made where individual small businesses demonstrate adequate need and creditworthiness.

In addition to loans, FINCA provides, through a growing number of its Subsidiaries, other financial services needed by the working poor, including savings deposits, remittances, and micro insurance.

The majority of FINCA clients worldwide are generally women (by number of clients) who often lack the ability to secure employment and who, in many cultures, are the primary providers for a family. FINCA's loans are a renewable resource that can improve the economy of an entire community. FINCA operates on a twin bottom line approach of sustainability and social outreach.

FINCA is in the process of transforming all of its Subsidiaries into commercial corporate forms, including banks or non-bank financial institutions, in order to provide the services mentioned above, as well as to enhance FINCA's ability to attract funding and support needed for growth and infrastructure development. On May 7, 2013, FINCA through its Subsidiary FINCA Microfinance Coöperatief U.A. (FMC) completed the acquisition of FINCA Microfinance Bank Limited, with headquarters in Lahore, Pakistan (formerly, Kashf Microfinance Bank Limited). Through FMC, FINCA is supporting the establishment of start-up operation of a microfinance bank in Nigeria, Africa. As of December 31, 2013, the majority of the Subsidiaries are commercial corporate entities that are subject to financial regulation. As conditions and resources permit, FINCA also anticipates establishing operations in additional countries.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are presented in U.S. dollars, which is FINCA's functional currency.

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention, unless stated otherwise.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of FINCA and changes therein are classified and reported as follows:

Unrestricted Net Assets — Net assets that are not subject to any donor-imposed stipulations.

Temporary Restricted Net Assets — Net assets subject to donor-imposed restrictions on their use that may be met either by actions of FINCA or the passage of time.

3. SIGNIFICANT ACCOUNTING POLICIES

Management discussed with FINCA's Audit Committee the development, selection and disclosure of FINCA's critical accounting estimates and judgments, and the application of these policies and estimates.

Subsequent to the issuance of the 2012 consolidated financial statements, management identified errors in the consolidated statement of cash flows. The changes in loans receivable and changes in client deposits were incorrectly presented in cash flows from operating activities instead of in cash flows from investing activities and cash flows from financing activities, respectively. In the current year 2013 consolidated financial statements these items have been correctly classified in the consolidated statement of cash flows.

All intragroup transactions and balances are eliminated in full upon consolidation.

Revenue Recognition

Contributions — Contributions, which include unconditional promises to give (pledges) are recognized as revenues in the period received or promised. Conditional contributions are recorded when conditions have been substantially met. Contributions are considered to be unrestricted, unless specifically restricted by donor.

FINCA reports contributions in the temporary or permanently restricted net assets class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporary restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities. Donor restricted contributions are initially reported in the temporary restricted net assets, even if it is anticipated such restrictions will be met within the current reporting period.

Contributed Services and Gifts — Contributed services and gifts are reported at fair value in the consolidated statement of activities when these (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing these skills and are services, which would be typically purchased if not provided by donation. FINCA recorded contributed services and gifts revenue and related expense for the year ended December 31, 2013 of approximately $2.8 million.

Interest Income — Interest income is recognized in the consolidated statement of activities using the effective interest method. The calculation of the effective interest rate includes using all fees received or paid on the basis of contractual future cash flows through the life of the loan. Therefore, loan origination fees, direct loan origination costs, premiums, and discounts are deferred and the net fee or cost is amortized and recognized as an adjustment to the interest income using the effective interest rate over the contractual term of the loan.

Fees and Other Program Income — Fees and commission income are recognized on an accrual basis when the service has been provided.

Expenses — The cost of providing the program services and supporting services is summarized on a functional basis in the schedule of functional expenses. Certain costs are allocated among program and supporting services benefited.

Foreign Currency

Foreign Currency Transactions and Balances — Transactions in foreign currencies are translated to the respective functional currencies of FINCA foreign operations at exchange rates at the dates of the transactions. Assets and liabilities of these foreign operations are translated into U.S. dollars using the current exchange rates at the date of the consolidated statement of financial position. Changes in net assets are translated using the average exchange rate for the fiscal year. Foreign currency differences arising on foreign currency transactions and translation at year-end are recognized in the consolidated statement of activities. Translation adjustments of foreign operations are reported under the non-operating section of the consolidated statement of activities.

Acquisitions and Business Combinations

FINCA includes the results of the business it has acquired in the FINCA's consolidated results as of the respective date of acquisition. FINCA allocates the fair value of the purchase consideration of its acquisition to the tangible assets acquired, liabilities assumed, and identifiable intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. The primary items that generate goodwill are synergies between acquired FINCA Microfinance Bank Limited, Pakistan and FINCA, the acquired program workforce, future market development, and revenue growth. None of these benefits qualify as amortizable intangible assets; therefore, they are not recognized separately from goodwill. Identifiable intangible assets other than goodwill are capitalized at fair value on the date of acquisition and are amortized over their respective estimated useful life in FINCA's consolidated statement of activities. Non-controlling interest is measured at fair value on the date of acquisition. FINCA does not expect to predominantly support the operations of the acquired microfinance bank by contributions and returns on its investments. As a result and in accordance with Accounting Standards Codification (ASC) 958 (subtopic 805), *Business Combinations*, FINCA has recorded the goodwill as an asset on the acquisition date.

Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

In 2011, FINCA completed a business reorganization of its wholly owned Subsidiaries that was accounted for as a business combination under common control. FINCA established FMH as the holding company of its investments in Subsidiaries to raise additional capital to support the growth of its international programs. Upon completion of reorganization, FINCA held 66% interest on FMH with non-controlling interest held by other investors. Subsequent to a business combination, changes in the ownership percentage of the parent in the controlled entity that do not result in the loss of control are counted for as equity transactions with no gain or loss in the consolidated statement of activities.

Non-Controlling Interest — FINCA's subsidiary, FMH LLC was formed with other investors for the purpose of raising capital to fund the assets growth of FINCA Subsidiaries. In 2013, FMH issued additional membership interests to its members, which resulted in the ownership of FINCA to change from 66.33% to 60.91% at December 31, 2013. The change did not result in the loss of control. The non-controlling interest as reflected in the consolidated statement of financial position reflects the net investment by non-controlling members in the consolidated Subsidiaries, along with their proportional share of earnings or losses. As explained in Note 20, FMH acquired 82.78% of voting shares in FINCA Microfinance Bank Ltd., Pakistan, which resulted in a non-controlling interest attributable to non-controlling shareholders of FINCA Microfinance Bank Ltd. A reconciliation of non-controlling interest as of December 31, 2013 is summarized as follows:

	Changes in Unrestricted Net Assets Attributable to FINCA International and Non-Controlling Interest Year Ended December 31,		
	Total	FINCA International Inc.	Non-Controlling Interest
Beginning balance at January 1, 2013	$ 245,857,891	$ 174,074,298	$ 71,783,593
Membership interests issued to non-controlling Members	49,999,511	-	49,999,511
Non-controlling interest in acquired FINCA Bank Ltd.	1,967,241	-	1,967,241
Attributable change in net assets	11,229,293	11,183,008	46,285
Ending balance at December 31, 2013	$ 309,053,936	$ 185,257,306	$ 123,796,630

Goodwill and Purchased Intangible Assets

Goodwill is not amortized but is tested for impairment at least annually. FINCA reviews goodwill for impairment in the fourth quarter and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For goodwill, FINCA performs a two-step impairment test once events and changes in circumstances indicate that carrying value of an asset may not be recoverable. In the first step, FINCA compares the fair value of the reporting unit to its carrying value. FINCA uses the income approach to determine the fair value of its reporting units, based on the present value of the estimated cash flows for a period of three years and the present value of the terminal value at the end of year three. Cash flows are based on FINCA's management estimates of revenue growths taking into consideration industry and market conditions. The discount rate used is based on the cost of capital adjusted for relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, FINCA performs the second step to measure the amount of impairment. During this step, the reporting's unit fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less that its carrying value the difference is recorded as an impairment loss in the consolidated statement of activities. Impairment testing of goodwill recognized upon acquisition of FINCA Microfinance Bank Limited, Pakistan, did not result in any impairment loss.

Income Tax Expense — FINCA is a not-for-profit organization and is exempt from federal income tax, except on net income derived from unrelated business income. However, some of the foreign operations of the Subsidiaries are subject to local income tax in the jurisdictions where they operate, and certain cross-border payments are subject to foreign withholding taxes.

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the consolidated statement of activities.

Deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates. According to ASC 740, *Income Taxes*, all deferred tax assets are generally given full recognition for deductible temporary differences, operating loss carryforwards, and tax credit carryforwards. A valuation allowance is recognized when management believes that it is more likely than not that all or a portion of the deferred tax assets will not be realized. Deferred tax liabilities are generally recognized for taxable temporary differences.

FINCA records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the positions and (2) for those tax positions that satisfy the more likely than not recognition threshold, it recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon settlement with the relevant tax authority. Positions are evaluated independently of each other without offset or aggregation. FINCA recognizes interest and penalties related to unrecognized tax benefits within the interest expense line and other expense line, respectively, in the accompanying consolidated statement of activities. Accrued interest and penalties are included within the related liability lines in the consolidated statement of financial position.

Cash and Cash Equivalents — FINCA considers all cash on hand and unrestricted balances held with central banks, and highly liquid financial assets with original maturities of less than three months to be cash and cash equivalents. Amounts restricted by donors and designated for long-term purposes are excluded from cash and cash equivalents category.

Restricted Cash and Cash Equivalents — The restricted cash balances include undisbursed funds received from United States Department of Agriculture (USDA) and private sector grants. In addition, included in these balances are cash restricted for country-specific regulatory requirements, and pledged collateral related to local borrowings and deposits.

Investments — FINCA classifies its investments as short term when management intends to sell them in the near future. Short-term investments include current investments that are available for operations in the next fiscal year. Long-term investments include investments available for sale that are not available in the next fiscal year, or that management has no intention to trade in the next fiscal year.

Investments are reported at fair value, except for the investment in the class IIIB debt in FINCA Microfinance Fund B.V. ("Microfinance Fund"), which does not have a readily determinable fair value and is reported at cost due to impracticality of the fair value assessment. Other equity investments are accounted for either using the equity method or at cost, depending on the FINCA's ownership interest in the investee and reported under Long Term Investments and Other Assets.

Investment income classified as operating revenue on the consolidated statement of activities consists of interest income. Any changes in fair values are reported as non-operating activities in the consolidated statement of activities.

At each reporting date, FINCA assesses the appropriate classification of its investment in the categories above, and in accordance with management intent, the investment may be reclassified from one category to the other. The transfer of the investment from one category to the other is accounted for at fair value.

Impairment of Investments Available for Sale — In accordance with ASC 320, *Investments — Debt and Equity Securities*, FINCA determines whether a decline in fair value below the cost basis of an investment has occurred and if it is other than temporary. FINCA considers all relevant evidence when determining if an investment has been other than temporarily impaired, such as:

- The length of time and the extent to which the fair value has been less than the cost basis
- Adverse conditions specifically related to the security, an industry, or geographic area
- The historical and implied volatility of the fair value of the debt security
- The payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future
- Failure of the issuer of the security to make scheduled interest or principal payments
- Any changes to the rating of the security by a rating agency
- Recoveries or additional declines in fair value after the balance sheet date

ASC 320 outlines a three-step approach for identifying and accounting for an other than temporary impairment of an individual investment asset classified as available for sale that consists of (1) determining when an investment is considered impaired, (2) evaluating whether an impairment is other than temporary, and (3) measuring and recognizing an other than temporary impairment.

An investment is impaired when its fair value is less than its carrying cost. Under ASC 320, an impaired debt security will be considered other than temporarily impaired if (a) the entity has the intent to sell the impaired debt security, (b) it is more likely than not that the entity will be required to sell the impaired debt security before recovery, or (c) the entity does not expect to recover the entire cost basis of the security even if it does not intend to sell the security.

Impairment is measured as the difference between the present value of expected future cash flows discounted at the effective interest rate implicit in the debt security at the date of acquisition and the cost basis of the debt security. If an other than temporary impairment has occurred, the amount of the other than temporary impairment is recognized in the consolidated statement of activities under the non-operating change in net assets.

Reversal of impairment losses attributed to credit losses is not permitted. Reversals attributed to losses other than credit losses are recorded under the non-operating change in net assets. In consideration of all the relevant evidence mentioned above, FINCA's management concluded that its investments available for sale were not impaired at December 31, 2013.

Investment in Life Insurance — In 2013, FINCA cashed the life insurance policies it held for several past and current of its key employees. The proceeds were used to purchase non-participating annuity contracts to partially settle certain defined benefits under FINCA's nonqualified senior executive retirement plan, and other life insurance policies that better fit FINCA's policy to retain its key employees. Investments in life insurance are measured at their cash surrender value, which at December 31, 2013 was $59,988.

Currency Swap Agreement — FINCA makes use of derivative financial instruments in order to mitigate certain currency risk exposures. Derivative financial instruments are recorded at fair value.

Fair Value Measurement — FINCA applies the provisions of ASC 820, *Fair Value Measurement and Disclosures*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statement on a recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or the liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires FINCA to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the organizations; market assumptions. The three levels of fair hierarchy are as follows:

- *Level 1* — Quoted prices (unadjusted) for identical assets or liabilities in active markets

- *Level 2* — Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liability, or market — corroborated inputs

- *Level 3* — Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement. FINCA's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Loans Receivable — Loans receivable are financial instruments with fixed or determinable payments that FINCA intends to hold for the foreseeable future or until maturity or payoff. Loans receivable are measured at the unpaid principal balance adjusted for any charge-offs, the allowance for doubtful accounts, plus any net deferred origination fees and discounts. These fees are recognized over the life of the loan as an adjustment to the interest income.

Notes Payable — Notes payable are financial instruments, initially recorded at the amount of cash proceeds received. Subsequent to initial recognition, notes payable are measured at amortized cost. Fees paid on the establishment of loan facilities are recognized as transaction costs of the facility, to the extent it has been determined that the note or the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Subordinated Debt — Subordinated debt consists mainly of liabilities to other international financial institutions, which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied. There is no obligation to repay early. Subsequent to initial recognition for the amount of cash proceeds, the subordinated debt is measured at amortized cost. Premiums and discounts are accounted for over the respective terms of the debt in the consolidated statement of activities using the effective interest method.

Client Deposits — Client deposits are initially recognized at the amount of proceeds received. Subsequently to initial recognition, client deposits are measured at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is recognized in the consolidated statement of activities over the period of the deposit term using the effective interest rate method.

Allowance for Doubtful Accounts

Impaired Loans — At each balance sheet date, FINCA assesses whether there is objective evidence of loan impairment. A loan is considered impaired when, based on current information and events it is probable that the principal and interest on the loan will not be paid in accordance with the contractual terms of the agreement. If there is objective evidence of impairment, a provision for loan losses is immediately recognized in the consolidated statement of activities. To assess whether objective evidence exists for a possible credit loss, i.e., any factors which might influence the client's ability to fulfill his contractual payment obligations FINCA considers:

- Delinquencies in contractual payments of interest or principal,
- Breach of covenants or conditions,
- Initiation of bankruptcy proceedings,
- Any specific information on the client's business (e.g., reflected by cash flow difficulties experienced by the client),
- Changes in the client's market environment, and
- The general economic situation.

Depending on the size of the credit exposure, such losses are either calculated on an individual credit exposure basis or are collectively assessment for a portfolio of credit exposures with similar risk characteristics. The carrying amount of the loan is reduced through the use of the allowance for doubtful account and the amount of the loss is recognized in the consolidated statement of activities under provision for loan losses.

Individually Assessed Loans — Credit exposures are considered individually significant if they have a certain size, partly depending on the individual Subsidiary. As a FINCA-wide rule, all credit exposures over a country specific threshold are individually assessed for a credit loss.

Additionally, the aggregate exposure to the client and the realizable value of collateral held are taken into account when deciding on the allowance for doubtful accounts. If there is objective evidence that an impairment has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its expected future cash flows discounted at the loan's effective interest rate. If a credit exposure has a variable interest rate, the discount rate for measuring the present value of expected future cash flows is the current effective interest rate determined under the contract.

This policy is applied consistently for all loans whose contractual interest varies based on subsequent changes in an independent factor. The calculation of the present value of the contractual future cash flow of a collateralized loan reflects the cash flow that may result from foreclosure less costs for obtaining and selling the collateral. While not all products require collateral, and collateral requirements vary by country, FINCA utilizes several methods for clients to collateralize their loans, including mandatory savings, real estate, fixed assets or an additional guarantor.

Collectively Assessed Loans — The collective assessment for credit exposure losses is performed for large homogeneous group loans that have similar risk characteristics. In addition, individually assessed loans are included for collective assessment when specific characteristics of the individually assessed loan indicate that it is probable that there would be an incurred loss in a group of loans with those characteristics. The determination of the allowance for doubtful accounts is based on a quantitative analysis of historical default rates for loan portfolios with similar risk characteristics in the individual Subsidiary (migration analysis), grouped into geographical segments with a comparable risk profile. After a qualitative analysis of this statistical data, FINCA management approves appropriate rates as the basis for their collectively assessed loans. Deviations from this guideline were allowed, if necessitated by the specific situation of the Subsidiary.

Future cash flows in a group of loans that are collectively evaluated for loan losses are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by FINCA to reduce any differences between loss estimates and actual loss experience.

Writing Off Loans — When a loan is determined uncollectible, it is written off against the related allowance for doubtful accounts. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for credit losses in the consolidated statement of activities and are recorded when cash is received.

Property and Equipment

Items of property and equipment assets (long-lived assets) are measured at cost, less accumulated depreciation and recognized impairment losses.

Cost includes expenditures that are directly attributable to the acquisition, delivery to the intended location, and preparation for its productive use. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item, to the extent that improvements increase the economic life of the asset and the costs of improvements can be reasonably measured. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statement of activities as incurred.

Depreciation is recognized in the consolidated statements of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment:

Buildings and offices	20–50 years
Computer equipment	2–5 years
Furniture and office equipment	5–7 years
Vehicles	3–5 years
Other	2–5 years

Leasehold improvements are depreciated over the shorter of the lease term or their useful lives. When necessary, assets are componentized to address different useful lives of the component.

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Changes in depreciation methods are counted for as changes in accounting estimates.

Borrowing Costs — FINCA does not incur any interest costs that qualify for capitalization under ASC 835-20, *Capitalization of Interest*.

Intangible Assets — Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing and after the completion of the preliminary stage of assessing alternatives of identifiable and unique software products controlled by FINCA are recognized as intangible assets when the following criteria are met:

- It is technically feasible and probable to complete the software product so that it will be available for use.

- The software will be used as intended.

Directly attributable costs that are capitalized as part of the software product include the external costs related to software development, direct employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their useful lives, which is three to five years depending on facts and circumstances. Capital work-in-progress is represented by capitalized costs of information systems implementation in process. Capital work-in-progress is not amortized.

Impairment of Long-Lived Assets — The carrying amounts of FINCA's long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of the impairment loss (if any) and accounted for in accordance with ASC 360, *Property, Plant and Equipment*.

If circumstances require a long-lived asset be tested for possible impairment, FINCA first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. The assessment is based on the carrying amount of the asset (asset group) at the date it is tested for recoverability, whether in use (or under development). If an asset is part of a group that includes other assets and liabilities not covered by ASC 360, the impairment testing applies to the entire group of assets. Impairment losses are recognized in the consolidated statement of activities.

Impairment losses recognized in prior periods are not reversed regardless of changes in facts and circumstances surrounding the asset or group of assets.

Leased Assets — Where at least one of the following criteria has been met, FINCA accounts for the asset acquired through the lease as an outright purchase or capitalized lease:

- The lease transfers ownership over asset by the end of the lease term
- The lease contains an option to purchase the leased property at a bargain price
- The lease term is equal or greater than 75% of the estimated economic life of the asset economic life
- The present value of the minimum lease payments equals or exceeds 90% of the fair value of the leased property

The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. As of December 31, 2013, FINCA had no finance leases.

Leases that fail to meet the criteria above are classifies as operating leases and the total rentals payable under the lease are charged to the consolidated statement of activities on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Benefit Plans

Deferred Contribution Benefit Plan — FINCA follows statutory and regulatory requirements with regard to establishing employee benefit plans in both the international jurisdictions it operates and in United States.

FINCA has established an employee contribution plan that allows employees to defer compensation up to a maximum amount as permitted by the Internal Revenue Code. FINCA makes contributions to the plan as a discretionary employer match.

Deferred Defined Benefit Plan — In addition, FINCA has established a nonqualifed defined senior executive retirement plan for certain officers and directors, which provides benefits payable upon retirement. FINCA's net obligation in respect of benefit plans is calculated by estimating the amount of future benefit that plan participants have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date approximating the terms of FINCA's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the consolidated statement of activities on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the consolidated statement of activities.

With respect to actuarial gains and losses that arise in calculating FINCA's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10% of the greater of the present value of the benefit obligation at the beginning of the year, that portion is recognized in the consolidated statement of activities over the expected average remaining working lives of the employees participating in the plan.

When the calculation results in a benefit to FINCA, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Settlements are recorded for irrevocable transactions that relieve FINCA of the primary responsibility for the benefit obligation and significant risks related to the obligation and assets used to affect the settlement. Curtailments are recorded for events that significantly reduce the expected years of future service of present employee(s) or eliminate for a significant number of employee(s) the accrual of defined benefits for some or all of their future services.

Other Benefits — FINCA provides other benefits to its employees, which are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus, or if FINCA has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reasonably estimated.

Deferred Revenue — FINCA defers award revenues from federal agencies and other donors to the extent they exceed expenses incurred for the purposes specified under the award and contract restrictions. All proceeds from monetization of commodities inventory are reported as deferred revenues. To the extent of expenses incurred the corresponding revenue is recognized in the consolidated statement of activities as program income. When donor contributions are used to purchase assets, the assets are recognized in the consolidated statement of financial position. Another liability is recognized to reflect the obligation to use the funds for restricted purposes. The liability is amortized through the consolidated statement of activities at which time expenses are incurred for program activities.

Contingency Provisions — Contingency provisions, including claims and legal actions arising in the course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

New Standards and Interpretations

(a) FINCA has adopted the following new standards, amendments, and interpretations effective on January 1, 2013, which are relevant to its operations:

Accounting Standards Update (ASU) No. 2011-11 — *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the consolidated statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale, and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The update became effective January 1, 2013. The application of the update does not have any material impact on the consolidated financial statements of FINCA.

ASU No. 2011-08 — *Intangibles — Goodwill and Other (Topic 350), Testing Goodwill for Impairment*. According to this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit, as described in paragraph 350-20-35-4. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any, as described in paragraph 350-20-35-9. Under the amendments in this update, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The update was effective for fiscal years beginning on or after December 15, 2011.

ASU 2012-02 — *Intangibles, Goodwill and Other (Topic 350)*. Testing indefinite-lived intangible assets for impairment. In accordance with the amendments of this update, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount of the indefinite-lived intangible asset. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The amendment is effective for annual impairment tests performed for fiscal years beginning after September 15, 2012. The application of this update does not have any impact of FINCA's consolidated change in net assets as FINCA does not have any indefinite-lived intangible assets.

ASU No. 2013-09 — *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans*. This update defers indefinitely the date of certain disclosures of quantitative information about the significant unobservable inputs used in Level 3 fair value measurements for investments held by a nonpublic employee benefit plan in its plan's sponsor's own nonpublic entity equity securities. The update became effective for all unissued financial statements as of July 2013. The application of the update does not have any impact on the consolidated financial statements of FINCA.

ASU No. 2013-10 — *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*. This update permits the use of the Fed Funds effective swap rate as a U.S. benchmark interest rate in addition to U.S. Treasuries and Libor for hedge accounting purposes providing risk managers with a more comprehensive spectrum of interest-rate resets to utilize as a designated benchmark interest rate risk component of the hedge accounting guidance. The update was applicable for entities that elect to apply hedge accounting and for hedging relationships entered after July 17, 2013. The application of the update does not have any impact on the consolidated financial statements of FINCA.

ASU No. 2012-05 — *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. This update requires a not-for-profit organization to classify the proceeds from the sale of donated financial instruments as cash flow from operations in the absence of long-term stipulations from the donor. The update became effective on June 15, 2013. The application of the update does not have a material impact on the consolidated financial statements of FINCA.

(b) Standards, amendments, and interpretations to existing standards that are not yet effective and have not been early adopted by FINCA are as follows:

ASU No. 2013-11 — *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Forward Exists*. This update requires that an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction, to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. For nonpublic entities, the amendment is effective for fiscal years beginning after December 15, 2014. FINCA will apply the amendment from January 1, 2014.

4. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosures of contingent assets and liabilities at the date of financial statements, and the reported amount of revenues and expenses. Actual expenses could differ from management estimates.

5. CAPITAL REQUIREMENTS

Capital requirements are individually addressed at each subsidiary in accordance with respective countries' laws that prescribe certain regulatory capital requirements. At December 31, 2013, the majority of FINCA's Subsidiaries were not subject to any regulatory capital requirements.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments that are measured at fair value on a recurring basis at December 31, 2013 are as follows:

	Level 1	Level 2	Level 3	December 31, 2013
Short-term investments:				
Treasuries	$ 3,760,146	$ -	$ -	$ 3,760,146
Certificates of deposits	-	961,310	-	961,310
Currency swap contracts	-	3,539,737	-	3,539,737
Long-term investments and other assets:				
Certificates of deposits	-	12,801,679	-	12,801,679
Currency swap contracts	-	88,787	-	88,787
Investments in life insurance	-	59,988	-	59,988
	$ 3,760,146	$ 17,451,501	$ -	$ 21,211,647
Other liabilities:				
Currency forward contracts	$ -	$ (1,261,707)	$ -	$ (1,261,707)
Currency swap contracts	-	(389,042)	-	(389,042)
	$ -	$ (1,650,749)	$ -	$ (1,650,749)

Fair Value Assumptions — The fair value of treasuries is determined based on quoted bid prices of securities in open active market as of December 31, 2013.

The fair value of certificates of deposits is derived from inputs other than quoted prices in active markets and indirectly from prices of other similar financial instruments.

Currency swap agreements are valued at the net present value of cash flows attributable to the difference between the contractual rates of the pertinent currencies affecting the swap. FINCA used significant other observable inputs as the valuation date (Level 2), including prices of instruments with similar maturities and characteristics, currency yield curves, and measures of currency volatility. The value was determined and adjusted to reflect non-performance risk of both the counterparty and FINCA. Negative market values of currency swap agreements are presented under "Other liabilities" line item on the consolidated statement of financial position. At December 31, 2013, the balance of this line item consists of solely the negative market value of the currency swaps and forward contracts.

The fair value of the investment in life insurance policies is measured at the cash surrender value using observable inputs other than quoted prices in active markets and indirectly from prices of other similar financial instruments.

Management concluded that the estimation of the fair value of the investment in its debt security is impractical; therefore, the investment in the Microfinance Fund is measured at amortized cost, which at December 31, 2013 totaled $1.1 million. On each balance sheet date, management tests the value of the investment for other than temporary impairment. As of December 31, 2013, management concluded that the investment has not experienced any other than temporary impairment.

FINCA recognizes transfers between fair value hierarchy levels at the approximate date or change in circumstances that cause the transfer. There were no transfers between fair value hierarchy levels during the year ended December 31, 2013.

For disclosure purposes, the estimated fair value of FINCA's debt at December 31, 2013 is summarized as follows:

	2013	
Financial Assets	**Carrying Amount**	**Fair Value**
Loans receivable	$ 828,793,935	$ 832,136,747
Financial Liabilities		
Client deposits	78,354,279	77,822,366
Notes payable	644,350,196	645,249,133

Except as detailed above, FINCA considers the carrying amount of other financial instruments recognized in the consolidated financial statements approximate their fair values.

7. INCOME TAX EXPENSE

This item includes all taxes on income. Income tax expense for the year ended December 31, 2013 was as follows:

	2013
Current tax expense	$ 11,745,582
Deferred tax benefit	(2,645,285)
Total income tax expense	$ 9,100,297

In calculating both the current tax and the deferred tax, the respective country-specific tax rates are applied. The total income tax expense includes local country income taxes for the Subsidiaries and foreign withholding taxes on certain cross-border payments. The average actual income tax rate for the Subsidiaries in 2013 was 25.5%. FINCA is exempt from taxes on income, except for unrelated business income, under the provision of Section 501(c)(3) of the United States Internal Revenue Code and the applicable income tax regulations of the District of Columbia. In 2013, FINCA recorded federal and state income tax expense of $25,359 on the unrelated business income.

	2013
Tax rate using domestic tax rate of FINCA (exempt on taxes on income)	$ -
Foreign income tax (taxable Subsidiaries) at local statutory rates	5,325,049
Expenses not deductible for tax purposes	3,699,463
Tax exempt income	(3,491,171)
Recognition of previously unrecognized tax losses	-
Adjustments for under provision in previous periods	166,597
Foreign withholding taxes	2,879,979
Valuation allowance for unrecognized deferred tax assets	1,381,553
Other	(861,173)
Total income tax expense	$ 9,100,297

Deferred Income Taxes — Deferred income taxes are calculated on temporary differences arising between the tax base of assets and liabilities and their carrying amounts, using the enacted tax rate as stipulated by the tax legislation of the respective countries. The movements in deferred tax assets and liabilities (the balances are offset within the same jurisdiction as permitted by ASC 740 and shown on a net basis by Subsidiaries) and the details of the deferred tax assets and liabilities are shown below.

In 2013, FINCA recorded $74,334 of income tax benefit on $2,943,652 of temporary differences related to the excess of the amount for financial reporting over the tax basis of the investments in Subsidiaries expected to reverse in the foreseeable future. At December 31, 2013, FINCA has a deferred tax liability of $341,080 on $7,568,642 of temporary differences related to the investments in Subsidiaries expected to reverse in the foreseeable future.

Foreign withholding taxes have not been recognized on the temporary differences related to the excess of the amount for financial reporting over the tax basis of investments in Subsidiaries that are essentially permanent in duration. This amount becomes taxable upon a repatriation of assets from a subsidiary or a sale or liquidation of a subsidiary. At December 31, 2013, the amount of such temporary differences totaled $98,765,588. At December 31, 2013, the amount of the unrecognized deferred income tax liability on these temporary differences is approximately $4,253,205.

ASC 740 generally requires that deferred income tax assets be given full recognition, subject to the possible provision of an allowance when it is determined that this asset is unlikely to be realized. The valuation allowance is provided for the portion of the deferred tax assets for which it has been determined that it is more likely than not that the reported asset will not be realized. At December 31, 2013, FINCA has a valuation allowance of $5,763,950 against its deferred tax assets as it believes that it is more likely than not that this portion of its deferred tax assets will not be realized. The principal components of the deferred tax assets for which a valuation allowance has been established include certain foreign country operating loss carryforwards and foreign tax credits that cannot be realized in the foreseeable future.

Deferred Tax Assets — At December 31, 2013, deferred tax assets were recognized by the Subsidiaries in the following jurisdictions in 2013: Armenia, Azerbaijan, Georgia, Russia, Honduras, Mexico, Tanzania, Uganda, Zambia, Pakistan, Afghanistan, Haiti, Tajikistan, and the Netherlands.

2013	Assets (Liability)
Property, equipment, and software	$ 104,947
Provision for credit losses on loans	2,342,736
Cash flow hedges	252,341
Deferred income/accrued interest	1,414,684
Tax loss carryforwards	7,105,793
Other	1,889,120
Total deferred tax assets	13,109,621
Valuation allowance	(5,028,093)
Total deferred tax assets, net of valuation allowance	$ 8,081,528

Deferred Tax Liabilities — At December 31, 2013, deferred tax liabilities are recognized by FMH and FINCA Subsidiaries in the Netherlands, Kyrgyzstan, Ecuador, Nicaragua, and Malawi as follows:

2013	Assets (Liability)
Property, equipment, and software	$ (130,593)
Provision for credit losses on loans	(552,070)
Deferred income/accrued interest	(94,278)
Tax loss carryforwards	764,817
Future distribution of retained earnings	(341,080)
Other	(156,358)
Total deferred tax liabilities	(509,562)
Valuation allowance	(735,857)
Net tax liabilities	$ (1,245,419)

Unrecognized Tax Benefits — FINCA records unrecognized tax benefits as liabilities in accordance with ASC 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available. At December 31, 2013, FINCA did not record any unrecognized tax benefits FINCA believes that it is not reasonably possible that any unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date.

At December 31, 2013, the estimated interest and penalties of $229,635 related to the unrecognized tax benefit on the transfer of a foreign subsidiary as part of FINCA's 2011 reorganization are not included in the income tax expense line item, but are accrued in the other operating expenses under general and administrative expenses in the consolidated statement of activities. Accrued interest and penalties are included within the related accrued liabilities line in the consolidated statements of financial position.

FINCA is subject to taxation in the United States and various states and foreign jurisdictions. As of December 31, 2013, FINCA's tax years 2008–2013 are subject to examination by the tax authorities.

8. RESTRICTED CASH

Restricted cash balances of $25,054,057 as of December 31, 2013 consist of undisbursed grant funds to be used in lending and operations, cash balances for country-specific regulatory requirements, and pledged collateral related to local borrowings and deposits, all of which can be contractually released within 12 months.

9. INVESTMENTS AND OTHER ASSETS

FINCA's investments and other assets at December 31, 2013 consist of the following:

	2013
Short-term investments:	
Certificates of deposits	$ 961,310
Treasuries	3,760,146
Currency swap contracts	3,539,737
Long-term investments and other assets:	
Certificates of deposits	12,801,679
Investments in life insurance	59,988
Investment in FINCA Microfinance Fund	1,100,000
Investment in MFX Solutions	200,000
Currency swap contracts	88,787
	$ 22,511,647

Currency swap agreements are used by FINCA to mitigate risk of changes in exchange rates of indebtedness denominated in a currency different from the functional currency of a subsidiary. At December 31, 2013, the aggregate notional principal amount under the currency swap agreements was $68,080,862.

10. LOANS RECEIVABLE— NET

Loans receivable at December 31, 2013 consist of the following:

	2013
Current gross loans to clients	$ 591,916,192
Non-current gross loans to clients	248,714,475
Total gross loans to clients	840,630,667
Allowances for doubtful accounts	(11,836,732)
Loans receivable — net	$ 828,793,935

	2013
Allowances for doubtful accounts:	
Balance at January 1	$ 10,136,221
Credit loss provision for the year:	
Charge for the year	15,554,212
Amounts written off — net of recovery	(13,700,413)
Effect of foreign currency movements	(153,288)
Balance at December 31	$ 11,836,732

A summary of balances per loan segment at December 31, 2013 is summarized as follows:

2013	Total Loans Principal	Allowance for Loan Losses	Interest and Deferred Costs Capitalized	Ending Balance December 31
Less than $1,000	$264,513,091	$ (4,767,394)	$2,663,534	$262,409,231
$1,001–$5,000	420,471,218	(5,112,781)	989,011	416,347,448
$5,001–$10,000	89,630,333	(1,166,334)	360,895	88,824,894
More than $10,001	61,757,507	(790,223)	245,078	61,212,362
Total	$836,372,149	$(11,836,732)	$4,258,518	$828,793,935

Activity in allowance for loan losses by segment at December 31, 2013 is summarized as follows:

2013	Beginning Balance January 1	Charge-offs Net of Recoveries	Provision for the Year	Foreign Currency Movements	Ending Balance December 31
Less than $1,000	$ 3,393,925	$ (4,667,504)	$ 6,002,629	$ 38,344	$ 4,767,394
$1,001–$5,000	4,310,244	(5,264,753)	5,814,564	252,726	5,112,781
$5,001–$10,000	1,575,517	(2,328,118)	2,123,406	(204,471)	1,166,334
More than $10,001	856,535	(1,440,038)	1,613,613	(239,887)	790,223
Total	$10,136,221	$(13,700,413)	$15,554,212	$ (153,288)	$11,836,732

Credit Risk — Credit risk is the potential for financial loss resulting from the failure of a client or counterparty to honor its financial or contractual obligations. Credit risk arises from FINCA's microfinance activities.

FINCA's loan portfolio is made up entirely of loans made to individuals and groups of individuals for a specific purpose.

At December 31, 2013, FINCA's aggregate loan portfolio was $840.6 million. FINCA's total allowances for impairment totaled $11.8 million at December 31, 2013, providing a coverage ratio of 1.4%. FINCA conducts biannual historical loan-loss migration analysis across its subsidiary network in order to determine the probability of default, defined as all loans in arrears in excess of 180 days, as well as an examination of other current observable factors (e.g., macroeconomic, operational, policy and systems changes, and political risk) in order to establish subsidiary credit reserves. In addition, FINCA conducts quarterly vintage loan analysis.

Exposure to credit risk at December 31, 2013 is as follows:

Impaired Loans — Impaired loans are loans for which FINCA determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement.

Past Due but Not Impaired Loans — Past due but not impaired loans are loans where contractual interest or principal payments are past due, but FINCA believes that a credit loss provision is not appropriate on the basis of the level of collateral available and/or the stage of collection of amounts owed to FINCA.

Loans with Renegotiated Terms — Loans with renegotiated terms are loans that have been restructured due to deterioration in the client's financial position, and where FINCA has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

Allowances for Doubtful Accounts — FINCA establishes an allowance for doubtful accounts that represents an estimate of probable or expected losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets with respect to losses that have been incurred but have not been identified on loans subject to individual assessment for credit loss provision.

The allowance for doubtful accounts is considered by FINCA as adequate to cover probable losses in the loan portfolio as of the balance sheet date. However, no assurance can be given that FINCA, in any particular period, will not sustain loan losses that exceed the allowance, or that subsequent valuation of the loan portfolio, in light of then-prevailing factors, including economic conditions, credit quality of the assets comprising the portfolio, and the ongoing evaluation process, will not require significant changes to the allowance for the doubtful accounts.

Write-Offs — FINCA writes off a loan (and any related allowances for doubtful accounts) when FINCA's Credit Committees and Subsidiaries' Audit Committees determine that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in a client's financial position, such that the client can no longer pay the obligation, or that proceeds from collateral, if any, will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge-off decisions are generally based on a product-specific past due status.

FINCA monitors the credit risk for its client loan portfolio though the past due status of portfolio. Aging of loans receivable as of December 31, 2013 is summarized as follows:

2013	31–60 Days Past Due	61–90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable
Less than $1,000	$ 1,496,775	$ 1,090,358	$ 2,834,323	$ 5,421,456	$ 261,755,169	$ 267,176,625
$1,001–$5,000	1,457,623	1,079,095	2,708,178	5,244,896	416,215,333	421,460,229
$5,001–$10,000	333,057	257,300	683,094	1,273,451	88,717,777	89,991,228
More than $10,000	201,661	85,084	433,336	720,081	61,282,504	62,002,585
Total	$ 3,489,116	$ 2,511,837	$ 6,658,931	$ 12,659,884	$ 827,970,783	$ 840,630,667

11. OTHER RECEIVABLES, PREPAIDS, AND OTHER ASSETS

The balances representing other receivables, prepaids, and other assets at December 31, 2013 are summarized as follows:

	2013
Receivable from money remittance and other agencies	$ 624,231
Prepaid/overpaid income tax	1,522,498
Receivable commissions, rebates, and refunds from banks	1,351,774
Deposit with Internal Revenue Service and other fiduciary agencies	567,558
Financial assets other than cash and cash equivalents and loans receivable	4,066,061
Prepaid rent	3,144,013
Taxes	938,389
Prepayment for fixed assets	793,626
Office supplies	631,147
Employee advances and loans	1,065,816
Prepaid repair and maintenance expenses	756,349
Prepaid insurance	481,252
Other debtors	4,251,103
	$ 16,127,756

All accounts receivable, prepaids, and other assets have a maturity of no more than 12 months from the balance sheet date.

12. PROPERTY AND EQUIPMENT

Property and equipment assets at December 31, 2013 are summarized as follows:

Cost	Total	Buildings and Offices	Construction in Progress	Leasehold Improvements	Computer Equipment	Furniture and Office Equipment	Vehicles	Other
Balance — January 1, 2013	$ 44,183,995	$ 3,678,264	$ 726,874	$ 6,969,070	$ 15,411,459	$ 9,546,779	$ 5,539,658	$ 2,311,891
Acquisitions	16,284,858	193,350	2,707,956	4,790,982	2,856,199	3,626,147	789,473	1,320,751
Disposals	(3,013,132)	(23,291)	(285,769)	(368,227)	(1,244,134)	(266,732)	(781,451)	(43,528)
Currency translation	(709,893)	(77,358)	(40,195)	(157,448)	(143,941)	(213,413)	(39,246)	(38,292)
Balance — December 31, 2013	$ 56,745,828	$ 3,770,965	$ 3,108,866	$ 11,234,377	$ 16,879,583	$ 12,692,781	$ 5,508,434	$ 3,550,822
Depreciation and Impairment Losses								
Balance — January 1, 2013	$ 22,591,099	$ 656,072	$ -	$ 3,359,434	$ 8,068,155	$ 6,600,962	$ 3,499,459	$ 407,017
Depreciation and amortization	7,361,491	346,277	-	1,644,359	2,274,551	1,890,965	826,094	379,245
Disposals	(2,111,999)	(14,090)	-	(344,224)	(820,760)	(316,057)	(601,680)	(15,188)
Currency translation	(229,987)	(10,249)	-	(39,420)	(68,274)	(78,269)	(21,972)	(11,803)
Balance — December 31, 2013	$ 27,610,604	$ 978,010	$ -	$ 4,620,149	$ 9,453,672	$ 8,097,601	$ 3,701,901	$ 759,271
Net Carrying Amounts								
Balance — January 1, 2013	$ 21,592,896	$ 3,022,192	$ 726,874	$ 3,609,636	$ 7,343,304	$ 2,945,817	$ 2,040,199	$ 1,904,874
Balance — December 31, 2013	$ 29,135,224	$ 2,792,955	$ 3,108,866	$ 6,614,228	$ 7,425,911	$ 4,595,180	$ 1,806,533	$ 2,791,551

Depreciation and amortization expense charged for the year ended December 31, 2013 was $7,361,491.

13. INTANGIBLE ASSETS

Intangible assets at December 31, 2013 are summarized as follows:

Costs	Total	Capitalized Software	Capital Work-In-Progress	Other
Balance — January 1, 2013	$ 14,865,890	$ 11,571,554	$ 3,294,336	$ -
Acquisition	10,137,905	6,096,148	3,290,383	751,374
Disposals	(1,981,961)	(409,237)	(1,572,724)	-
Currency translation	(366,674)	(256,094)	(110,580)	-
Balance — December 31, 2013	$ 22,655,160	$ 17,002,371	$ 4,901,415	$ 751,374
Amortization and Impairment				
Balance — January 1, 2013	$ 5,633,101	$ 5,633,101	$ -	$ -
Amortization for the year	2,530,608	2,359,136	-	171,472
Disposals	(402,355)	(402,355)	-	-
Currency translation	(67,644)	(67,644)	-	-
Balance — December 31, 2013	$ 7,693,710	$ 7,522,238	$ -	$ 171,472
Net Carrying Amounts				
Balance — January 1, 2013	$ 9,232,789	$ 5,938,453	$ 3,294,336	$ -
Balance — December 31, 2013	$ 14,961,450	$ 9,480,133	$ 4,901,415	$ 579,902

Amortization expense for the year ended December 31, 2013 was $2,530,608.

14. ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities at December 31, 2013 are summarized as follows:

	2013
Current:	
Accrued salaries and benefits	$ 12,589,135
Payroll and other non-income taxes	6,124,132
Deferred rent	151,081
Accounts payable and accrued expenses	7,418,904
Professional services	2,766,755
Interest refundable to clients	1,926,792
Office supplies	460,263
Legal provision	503,475
Insurance	208,501
Current income tax	2,043,254
	34,192,292
Non-current:	
Deferred rent	2,040,151
Total accounts payable and accrued liabilities	$ 36,232,443

The non-current portion of deferred rent has an amortization term of 12 years. All accounts payable and other accrued liabilities have a maturity of no more than 12 months from the balance sheet date.

15. CLIENT DEPOSITS

FINCA accepts and maintains savings deposits from clients in Subsidiary operations. FINCA has been pursuing a strategy to increase client savings in Subsidiary operations eligible to accept voluntary deposits, offering clients access to banking services while receiving lower-cost funding in return.

These voluntary deposits represent the majority of FINCA's savings deposits. Additionally, certain loan products are structured to require a deposit at the time the loan is made, representing an additional source of client deposits maintained by FINCA.

	2013
Compulsory savings/cash collateral	$ 9,019,017
Voluntary savings:	
Saving accounts	36,605,642
Term deposit accounts	31,576,409
Other voluntary savings	508,541
Total voluntary savings	68,690,592
Accrued interest	644,670
Total deposits from clients	$ 78,354,279

16. NOTES PAYABLE

FINCA and its Subsidiaries have two broad categories of debt: charitable and commercial. The majority of FINCA loans are sourced from international financial institutions supporting microfinance, but FINCA has also borrowed from private sources. Interest rates paid by Subsidiaries range from 4.1% up to 40% floating and up to 19% fixed in local currencies for commercial loans in countries with high perceived risk or with depreciating currencies. In some situations, FINCA, as the parent company, may be directly liable or may offer support for loans provided to Subsidiaries without adequate credit standing, which may be in the form of a direct guarantee, letter of credit, comfort letter, or another form of credit enhancement. As of each balance sheet date, some Subsidiaries have breached covenants contained in financing agreements underlying these obligations. Management believes that these breaches are primarily due to recent global economic conditions that have affected microfinance, or in some cases due to local political and economic developments. A breach of a loan covenant could permit a lender to accelerate payment of the loan, but would not permit a cross-default beyond the particular Subsidiary. Management has obtained either formal waivers of these breaches or assurances from lenders that the covenants will not be enforced. However, no assurance can be provided that these waivers will be extended indefinitely or that all performance can be brought into full compliance. As of December 31, 2013, Subsidiaries in Armenia, Ecuador, Georgia, Kosovo, Kyrgyzstan, Russia, and as of the date of this report, FMH were in breach of financial covenants regarding loans from international financial institutions amounting to USD 60.0 million. At the time these consolidated financial statements were prepared, the Subsidiaries had obtained formal waivers for these breaches of covenants amounting to USD 48.3 million. All loans for which no formal waivers are obtained are classified as current in the maturity table below.

Notes payable at December 31, 2013 are summarized as follows:

	2013
Overdraft	$ 395,813
Notes payable:	
Principal amount	632,480,500
Accrued interest	11,473,883
	$ 644,350,196

Current and non-current book values of notes payable at December 31, 2013 are summarized as follows:

	2013
Current:	
Overdrafts	$ 395,813
Notes payable:	
Secured	35,382,358
Unsecured	213,530,612
Collateralized borrowings	1,007,458
	250,316,241
Non-current:	
Notes payable:	
Secured	30,362,185
Unsecured	363,216,545
Collateralized borrowings	455,225
	394,033,955
Total notes payable	$ 644,350,196

Maturities of principal amounts on notes payable due in future fiscal years is as follows:

2014	$ 238,446,544
2015	272,799,949
2016	102,000,787
2017	9,210,321
2018	7,838,406
Thereafter	2,184,493
	$ 632,480,500

17. SUBORDINATED DEBT

The balance is mainly represented by subdebt that was received in 2009 by seven Subsidiaries from the Microfinance Fund of which $19.5 million was outstanding at December 31, 2013. This debt matures on September 20, 2016, and the effective interest rate varies from 12.8% to 16.2%. Subordinated debt agreements with Subsidiaries contain the following key provisions: no early redemption and the principal of the subordinated debt are junior in right of repayment to holders of senior debt. Each individual subordinated debt agreement includes a number of financial covenants. As agreed with the lender FINCA Tajikistan repaid $1,350,000 during 2013.

18. DEFERRED REVENUE

FINCA receives awards from U.S. government and other agencies for various purposes. Awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved award. FINCA defers award revenue received under approved awards, to the extent they exceed expenses incurred for the purposes specified under the awards' restrictions. Proceeds from the monetization of commodities inventory are also reported as refundable advances until proceeds are used for program expenses.

The balance of deferred revenue at December 31, 2013 is summarized as follows:

	2013
USDA	$ 2,486,548
Others	5,215,526
	$ 7,702,074

19. EMPLOYEE BENEFITS

Pension Plan Deferred Compensation — FINCA has implemented an employee retirement plan (the "Plan") under Internal Revenue Code Section 403(b). Under the Plan, qualified employees may defer compensation up to the maximum amount permitted by the Internal Revenue Code. The elective deferral and catch-up limits for the year 2013 were $ 17,500 and $ 5,500, respectively. FINCA may make contributions to the Plan as a discretionary employer match. FINCA's contributions to the Plan during the year ended December 31, 2013 were $434,204.

Defined Benefit Agreement — FINCA also maintains a nonqualified defined senior executive retirement plan agreement (the "Agreement") for certain officers and directors, which provides benefits payable upon retirement from FINCA (no sooner than at age 65). In addition, a death benefit is payable to a surviving spouse or named beneficiary in the event of the death of the eligible officer/director. The Agreement is offered at the sole discretion of FINCA's board of directors. Currently, several key employees are enrolled in the Agreement. In 2013, FINCA purchased two non-participating 20-year fixed-annuity contracts in a partial settlement of the plan liability of $796,637. In addition, during 2013, a plan participant was terminated without reaching the vesting period of 65. The termination resulted in a gain of approximately $480,000.

The net liability of FINCA's defined benefit plan recognized at December 31, 2013 is summarized as follows:

	2013
Benefit obligation — beginning of year	$ 4,854,602
Service cost	141,577
Interest cost	151,102
Actuarial gain	(683,170)
Settlement	(796,637)
Net employer benefits paid	(162,710)
Unrecognized prior service cost	-
Benefit obligation — end of year	$ 3,504,764

The change in plan assets at December 31, 2013 is summarized as follows:

	2013
Fair value of assets — beginning of year	$ -
Employee contributions	-
Employer contributions	959,347
Settlements	(796,637)
Benefits paid	(162,710)
Fair value of assets — end of year	$ -

The funded status of FINCA's defined benefit at December 31, 2013 is summarized as follows:

	2013
Benefit obligation — end of year	$ (3,504,764)
Funded status	$ (3,504,764)
Unrecognized prior service cost	846,890
Unrecognized net actuarial losses	73,532
Accrued benefit cost	$ (2,584,342)

The amount of net periodic cost at December 31, 2013 is summarized as follows:

	2013
Service cost	$ 141,577
Interest cost	151,102
Amortization of actuarial loss (10% corridor)	41,136
Settlement of pension obligation loss	16,713
Amortization of prior service cost (credit)	126,206
Total periodic net cost	$ 476,734

Components other than net periodic cost included in the consolidated statement of activities for the year ended December 31, 2013 are summarized as follows:

	2013
Net actuarial gain	$ (741,019)
Prior service cost (credit)	(126,206)
Total related credits other than net periodic cost	$ (867,225)

Items not yet recognized as components of net periodic pension cost at December 31, 2013 are summarized as follows:

	2013
Unrecognized prior service cost	$ 846,890
Unrecognized net actuarial losses	73,532
Total unamortized pension prior service cost and losses	$ 920,422

Weighted-average assumptions used to determine benefit obligations at December 31, 2013 are as follows:

	2013
Discount rate	4.20 %
Salary scale	N/A

Weighted-average assumptions used to determine net period pension cost for the year ended December 31, 2013 are as follows:

	2013
Discount rate	3.25 %
Salary scale	N/A

Based upon the assumptions used to measure pension obligations, FINCA expects to make the following benefit payments:

Years Ended December 31	
2014	$ 382,917
2015	204,167
2016	204,167
2017	204,167
2018	204,167
In aggregate for five fiscal years thereafter	1,558,621

20. ACQUISITION

On May 7, 2013, FINCA, through its subsidiary FMC, completed the acquisition of 82.78% of voting shares of Kashf Microfinance Bank Limited, a microfinance bank incorporated under the laws of the Islamic Republic of Pakistan, which was later rebranded as FINCA Microfinance Bank Limited for cash consideration of $10.6 million. The estimated fair value of the assets acquired and liabilities assumed at the acquisition date, as set forth in the table below, reflect estimated fair values based on the work performed by third-party specialists, which are subject to change within the measurement period of one year from the date of the acquisition. Measurement period adjustments if any will be applied retrospectively to the period of acquisition in FINCA's consolidated financial statements and depending on the nature of the adjustments other periods subsequent to the period of acquisition could also be affected.

Pro forma results of operations for this acquisition are not presented because they are not material to FINCA's consolidated results of operations. Goodwill, which represents the excess of the fair value of purchase consideration over the net tangible and intangible assets acquired, generally is not deductible for tax purposes.

The estimated fair values of the assets acquired and liabilities assumed, as recorded on the date of acquisition are presented as follows:

Cash and cash equivalents	$ 11,826,223
Restricted cash and cash equivalent	1,178,131
Available-for-sale financial assets	1,991,423
Loans receivable	14,635,351
Other receivables, prepaid, and other assets	444,718
Property and equipment	1,147,645
Intangible assets	877,175
Deferred tax asset	470,846
Total assets	$ 32,571,512
Accounts payable and other accrued liabilities	$ 1,396,683
Client deposits	20,316,476
Deferred revenue	172,280
Total liabilities	21,885,439
Total equity	10,686,073
Total equity and liabilities	$ 32,571,512

Goodwill and Purchased Intangibles

In connection with the above acquisition, FINCA recorded $1.1 million of goodwill and $0.75 million of purchased intangible assets representing core deposits and loan customer relationships.

Consideration transferred	$ 10,578,323
Plus non-controlling interests (17.22%)	1,967,241
Less fair value of identifiable net assets acquired	(10,686,073)
Less customer-based intangible assets	(751,374)
Goodwill arising on acquisition	$ 1,108,117

Goodwill — Goodwill arose in the acquisition primarily due to the consideration paid effectively included amounts in relations to the benefit of expected synergies, revenue growth, future market development, and the assembled program workforce between FINCA and FINCA Microfinance Bank Limited. In relation to the identifiable net assets acquired, management has used book value as an approximation for fair value, as there were no material differences between the book value and fair value of the identifiable net assets acquired.

FINCA reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. During the performance of the first step of goodwill impairment testing which consist of comparing the fair value of the reporting unit to its carrying value, the fair value exceeded its carrying value, therefore, goodwill was not impaired and no further testing was required.

Purchased Intangibles — FINCA purchased intangible assets associated with the completed acquisition as the following:

Core deposit relationship	$ 272,453
Loan customer relationship	478,921
	$ 751,374

The finite-lived purchased intangibles of core deposits and loan customer relationships have estimated useful lives of five and two years, respectively.

21. COMMITMENTS AND CONTINGENCIES

At December 31, 2013, FINCA was obligated under a number of operating leases for premises used primarily for branch operations and office purposes. In a significant portion of the business locations where FINCA operates, the operating lease agreements are negotiated on a month-to-month or year-by-year basis and are in line with general rental market conditions.

Future minimum lease payments under existing lease contracts are due, in dollars, as follows:

	2013
Less than one year	$ 5,465,759
Between one and five years	16,917,875
More than five years	9,181,401
	$ 31,565,035

Rent expense was $14,446,790 for the year ended December 31, 2013.

At December 31, 2013, there are no contingent assets, contingent liabilities, and any capital commitments. As discussed in Note 24, FINCA issued guarantees to the third parties on behalf of its Subsidiaries.

22. FINCA ENTITIES

Through its headquarters, foreign representative offices and branches, controlled Subsidiaries and affiliates, FINCA operates in 26 countries. All Subsidiaries and affiliates are controlled by FINCA directly or through FMH (see Note 1). The significant operating Subsidiaries and controlled affiliates of FINCA are listed below:

Americas

Ecuador	Banco para la Asistencia Comunitaria, FINCA S.A. Joint Stock Company
El Salvador	Asociación de Fomento Integral Comunitaria de El Salvador Not for profit Association
	FINCA S.A. de C.V.
Guatemala	Fundación Internacional para la Asistencia Comunitaria de Guatemala *Foundation*
	FINCA S.A.
Haiti	FINCA HAITI *Non-Governmental Organization*
Honduras	Sociedad Financiera FINCA Honduras, S.A. *Joint Stock Company*
	Fundación Internacional para la Asistencia Comunitaria de Honduras *Not-for-profit Organization*
Mexico	SOFOM
	Mexico SAPI
	Fundación Integral Comunitaria, A.C. *Civil Association*
Nicaragua	Financiera FINCA Nicaragua, S.A. *Joint Stock Company*
	Fundación Internacional para la Asistencia Comunitaria de Nicaragua *Not-for-profit Foundation*

Africa

Congo	FINCA DR CONGO SARL *Limited Liability Joint Stock Company*
Malawi	FINCA Limited *Company Limited by Shares*
Tanzania	FINCA Tanzania Limited *Company Limited by Shares*
Uganda	Foundation for International Community Assistance Uganda Limited *Company Limited by Shares*
Zambia	Foundation for International Community Assistance-Zambia Limited *Company Limited by Shares*

Eurasia

Armenia	FINCA Universal Credit Organization *Closed Joint Stock Company*
Azerbaijan	FINCA Azerbaijan *Limited Liability Company*
Georgia	JSC MFO FINCA *Closed Joint Stock Company*
Kosovo	FINCA International, Inc. (Branch)
Kyrgyzstan	FINCA Micro-Credit Company *Closed Joint Stock Company*
Russia	FINCA CJSC *Closed Joint Stock Company*
Tajikistan	FINCA Micro-Credit Deposit Organization *Limited Liability Company*

(Continued)

Middle East

Jordan	FINCA Jordan Specialized Micro Loans Company
Afghanistan	FINCA Afghanistan *Joint Stock Company Limited by Shares*
Pakistan	FINCA Microfinance Bank Limited

Non-Microfinance Subsidiaries

Netherlands	FINCA Network Support BV
Netherlands	FINCA Microfinance Cooperatief U.A.
USA	FINCAServices USA LLC

Charitable Affiliates

Canada	FINCA Canada
United Kingdom	FINCA UK

(Concluded)

23. TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets activity in 2013 was as follows:

	January 1, 2013	Contributions	Released	December 31, 2013
Credit Suisse	$ 834,802	$ 593,521	$ (873,886)	$ 554,437
Visa Inc.	464,753	-	(72,925)	391,828
Haiti	166,309	146,893	(259,370)	53,832
Zambia	129,819	25,100	(12,139)	142,780
Rumsfeld Foundation	106,665	120,000	(112,786)	113,879
Citi Jordan Islamic/Citi Social Performance	67,433	-	(67,433)	-
Uganda	61,300	58,000	(61,707)	57,593
Afghanistan	60,642	33,925	(30,018)	64,549
El Salvador	42,883	49,438	-	92,321
Congo	42,022	7,200	(16,667)	32,555
Ford Foundation	40,430	213,275	(62,651)	191,054
Jordan	23,857	800	(4,150)	20,507
Tanzania	17,160	-		17,160
Malawi	12,008	28,943	(19,422)	21,529
Guatemala	4,000	3,884	-	7,884
Ecuador	2,000	4,000	-	6,000
Russia	800	800	-	1,600
Mexico	-	1,390	-	1,390
Barefoot	-	36,800	(25,361)	11,439
MetLife	-	88,000	(9,375)	78,625
	$2,076,883	$1,411,969	$(1,627,890)	$1,860,962

24. RELATED PARTIES

Balances and transactions between FINCA, the parent and its related parties, the Subsidiaries and affiliates, have been eliminated on consolidation and are not disclosed in this note.

Guarantees — FINCA International provides guarantees directly on behalf of the Subsidiaries of FMH. At December 31, 2013, the total balance of outstanding guarantees from FINCA International was $8,450,000.

25. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, FINCA through FMH entered into a $45 million loan agreement with the Overseas Private Investment Corporation (OPIC) on February 24, 2014. The loan has a seven-year tenor.

On February 6, 2014, FINCA through its subsidiary, FMC, received an approval in principle from the Central Bank of Nigeria to obtain a state banking license for a new start-up microfinance bank in Nigeria. FINCA expects to complete the state banking license process by August 1, 2014. FINCA Nigeria was incorporated as a legal entity on April 16, 2014.

* * * * * *

SUPPLEMENTAL SCHEDULES AND NOTES TO SUPPLEMENTAL SCHEDULES

FINCA INTERNATIONAL INC.

SUPPLEMENTAL SCHEDULE — CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013

	FINCA International, Inc.	FMH LLC and Other	Eliminations	Consolidated Group
ASSETS:				
Cash and cash equivalents	$ 9,288,068	$ 145,772,560	$ -	$ 155,060,628
Restricted cash and cash equivalents	4,448,505	20,605,552	-	25,054,057
Short-term investments	-	8,261,193	-	8,261,193
Loans receivable — net	14,374,983	828,793,935	(14,374,983)	828,793,935
Grants receivable — net	3,299,683	518,081	-	3,817,764
Other receivables, prepaids, and other assets	5,313,019	15,416,422	(4,601,685)	16,127,756
Property and equipment — net	1,948,331	27,186,893	-	29,135,224
Intangible assets — net	105,661	14,855,789	-	14,961,450
Long-term investment and other assets	28,819	14,221,635	-	14,250,454
Investment in subsidiaries	183,269,008	-	(183,269,008)	-
Goodwill	-	1,108,117	-	1,108,117
Deferred tax asset	-	8,081,528	-	8,081,528
TOTAL ASSETS	$ 222,076,077	$ 1,084,821,705	$ (202,245,676)	$ 1,104,652,106
LIABILITIES AND NET ASSETS:				
Accounts payable and other accrued liabilities	$ 14,995,368	$ 28,014,315	$ (6,777,240)	$ 36,232,443
Client deposits	-	78,354,279	-	78,354,279
Notes payable	14,719,058	632,136,789	(2,505,651)	644,350,196
Subordinated debt	-	30,855,432	(8,297,186)	22,558,246
Other liabilities	-	1,650,749	-	1,650,749
Deferred revenue	3,571,730	4,848,391	(718,047)	7,702,074
Deferred benefits	3,504,764	-	-	3,504,764
Deferred tax liabilities	-	1,245,419	-	1,245,419
Total liabilities	36,790,920	777,105,374	(18,298,124)	795,598,170
NET ASSETS:				
Unrestricted net assets	183,562,750	307,577,776	(183,947,552)	307,192,974
Restricted net assets	1,722,407	138,555	-	1,860,962
Total net assets	185,285,157	307,716,331	(183,947,552)	309,053,936
TOTAL LIABILITIES AND NET ASSETS	$ 222,076,077	$ 1,084,821,705	$ (202,245,676)	$ 1,104,652,106

See notes to supplemental schedules.

FINCA INTERNATIONAL INC.

SUPPLEMENTAL SCHEDULE — CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	FINCA International, Inc.	FMH LLC and Others	Eliminations	FINCA Consolidated
OPERATING REVENUES:				
Contributions:				
Corporate, foundation, and individual giving	$ 11,999,137	$ 1,565,636	$ (571,772)	$ 12,993,001
Services and gifts in kind	2,809,747	38,265	-	2,848,012
Program:				
Interest income	321,439	307,025,050	(321,439)	307,025,050
Grants and contracts, including federal government	15,504,354	3,966,788	(3,877,906)	15,593,236
Fees and other program income (loss)	38,082,139	17,305,415	(38,047,602)	17,339,952
Total operating revenues	68,716,816	329,901,154	(42,818,719)	355,799,251
OPERATING EXPENSES:				
Program services	40,882,408	314,341,244	(42,172,066)	313,051,586
Fundraising	3,162,451	653,274	-	3,815,725
General and administrative	14,525,931	482,892	-	15,008,823
Total operating expenses	58,570,790	315,477,410	(42,172,066)	331,876,134
NON-OPERATING (LOSS) INCOME:				
Non-operating foreign exchange and other (loss) gain	(68,661)	(1,110,391)	1,205,753	26,701
Pension-related changes other than net periodic benefit cost — gain	867,225	-	-	867,225
Foreign operations translation loss adjustment	(2,903,927)	(4,487,453)	2,903,927	(4,487,453)
Total non-operating (loss) income	(2,105,363)	(5,597,844)	4,109,680	(3,593,527)
INCOME TAXES	68,090	9,032,207	-	9,100,297
CHANGE IN NET ASSETS BEFORE NON-CONTROLLING INTERESTS	7,972,573	(206,307)	3,463,027	11,229,293
ISSUE OF FMH SHARES TO MEMBERS	-	58,306,856	(8,307,345)	49,999,511
FCF LLC CAPITAL DISTRIBUTION TO THE PARENT, FINCA	-	(200,452)	200,452	-
NON-CONTROLLING INTEREST ON THE PURCHASE OF SHARES OF FINCA MICROFINANCE BANK LIMITED, PAKISTAN	-	1,967,241	-	1,967,241
CHANGE IN NET ASSETS	7,972,573	59,867,338	(4,643,866)	63,196,045
NET ASSETS — Beginning of year	177,312,584	247,848,993	(179,303,686)	245,857,891
NET ASSETS — End of year	$ 185,285,157	$ 307,716,331	$ (183,947,552)	$ 309,053,936

See notes to supplemental schedules.

FINCA INTERNATIONAL INC.

SUPPLEMENTAL SCHEDULE — CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and direct benefits	$ 97,817,335	$ 6,271,510	$ 413,547	$ 6,685,057	$ 104,502,392
Fringe benefits	41,852,512	1,945,411	148,261	2,093,672	43,946,184
Travel and entertainment	12,000,829	1,280,804	88,439	1,369,243	13,370,072
Postage and shipping	-	76,609	852,797	929,406	929,406
Professional services	17,570,187	3,302,863	1,490,562	4,793,425	22,363,612
Printing	-	62,758	431,818	494,576	494,576
Occupancy and utilities	14,995,439	1,539,766	-	1,539,766	16,535,205
Equipment and office maintenance	3,940,106	478,411	-	478,411	4,418,517
Interest expenses	63,538,860	-	-	-	63,538,860
Subgrantee	731,998	-	-	-	731,998
Net periodic cost of defined benefit	-	476,924	-	476,924	476,924
Direct training and hiring	2,918,950	216,828	-	216,828	3,135,778
Advertising	3,325,650	-	88,371	88,371	3,414,021
Communications	5,412,149	170,633	679	171,312	5,583,461
Equipment, commodities, and vehicles	1,169,365	-	-	-	1,169,365
Security	4,525,552	47,503	-	47,503	4,573,055
Bank and credit card fees	3,164,608	214,533	-	214,533	3,379,141
Office supplies	4,057,906	157,910	299,928	457,838	4,515,744
Depreciation and amortization expense	9,788,728	103,371	-	103,371	9,892,099
Provision for loan losses	15,554,212	-	-	-	15,554,212
Taxes other than income	3,572,251	-	-	-	3,572,251
Insurance	1,338,689	69,223	-	69,223	1,407,912
Other direct costs	1,649,181	-	1,323	1,323	1,650,504
Loss on disposal of fixed assets	-	107,362	-	107,362	107,362
Donation expenses	-	10,000	-	10,000	10,000
Subsidiary start-up and integration costs	2,603,483	-	-	-	2,603,483
General and administrative allocation	1,523,596	(1,523,596)	-	(1,523,596)	-
Total operating expenses	$ 313,051,586	$ 15,008,823	$ 3,815,725	$ 18,824,548	$ 331,876,134

See notes to supplemental schedules.

1. CONSOLIDATING STATEMENT OF FINANCIAL POSITION

The consolidating statement of financial position presents the separate statements of financial position of FINCA International, Inc., FINCA Microfinance Holding Company LLC, FINCA Capital Fund LLC, FINCA Canada, FINCA UK, and FINCA Microfinance Solutions Inc. (collectively referred on this table as "FMH LLC and Other"). All significant intercompany balances have been eliminated.

2. CONSOLIDATING STATEMENT OF ACTIVITIES

The consolidating statement of activities presents the separate statements of activities of FINCA International, Inc., and FMH LLC and Other. All significant intercompany transactions have been eliminated. At December 31, 2012 the financial statements of FINCA Capital Fund LLC were prepared on a liquidation basis. In 2013, as result of the liquidation, FINCA received $200,452 in capital distribution. In 2013, FINCA Microfinance Solutions Inc. was deconsolidated.

3. FUNCTIONAL EXPENSES

The costs of providing program and supporting services are summarized on a functional basis in the consolidated schedule of functional expenses. FINCA has three main services: program, management and general, and fundraising. Operating costs that are specifically identifiable with the administration of the program are charged to the program and those specifically identifiable to the fundraising are charged to fundraising services. Other operating costs that benefit program and management and general services are allocated based on direct program costs less expenditures funding loan disbursements.

Program Services — FINCA provides financial services in the form of individual and group loans to the world's lowest-income entrepreneurs so they can create jobs, build assets, and improve their standard of living. FINCA has always focused its service on one key client group — those living at 50% below the poverty line and the rural poor.

Management and General — Management and general include FINCA's services to provide the necessary support and strategy management of the overall FINCA's international programs.

Fundraising — Fundraising activities include services and materials to conduct FINCA's fundraising efforts in the form of direct mail, and other fundraising activities that may be involved with soliciting contributions from individuals, corporation, and other organizations.