FINCA International, Inc.

Consolidated Financial Statements as of and for the Year Ended December 31, 2015,
Supplemental Schedule as of and for the Year Ended December 31, 2015, and
Independent Auditors' Report

FINCA INTERNATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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 statement of financial position as of December 31, 2015, and the related consolidated statement of activities, and statement of 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 the 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 the 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 financial position of FINCA and its subsidiaries as of December 31, 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplemental Schedule and Notes to the Supplemental Schedule

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such schedule and corresponding notes 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 schedule and corresponding notes to the supplemental schedule have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedule 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 schedule and corresponding notes to the supplemental schedule are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Deloitte + Touche LLP

October 3, 2016

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

	2015
ASSETS	
CASH AND CASH EQUIVALENTS	$ 137,325,636
RESTRICTED CASH AND CASH EQUIVALENTS (Note 8)	24,876,413
INVESTMENTS (Note 9)	19,898,961
DERIVATIVE ASSETS (Note 10)	29,973,025
LOANS RECEIVABLE—Net (Note 11)	793,927,099
DUE FROM BANKS	3,933,334
OTHER RECEIVABLES, PREPAID AND OTHER ASSETS (Note 12)	22,475,965
PROPERTY AND EQUIPMENT (Note 13)	31,056,503
INTANGIBLE ASSETS (Note 14)	11,058,837
GOODWILL	1,041,608
DEFERRED TAX ASSETS (Note 7)	6,901,755
ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Note 22)	11,089,682
TOTAL	$ 1,093,558,818
LIABILITIES AND EQUITY	
LIABILITIES:	
Accounts payable and other accrued liabilities (Note 15)	$ 33,727,715
Derivative liabilities (Note 10)	1,152,086
Client deposits (Note 16)	168,340,679
Bank deposits	19,704,318
Notes payable (Note 17)	584,814,387
Subordinated debt (Note 18)	24,453,715
Deferred revenue (Note 19)	6,038,938
Employee benefits (Note 20)	3,599,046
Current income tax liability	3,880,606
Deferred tax liabilities (Note 7)	997,302
Liabilities of disposal group classified as held for sale (Note 22)	3,035,692
Total liabilities	849,744,484
NET ASSETS:	
Unrestricted net assets—FINCA	146,096,258
Unrestricted net assets—non-controlling interest	96,636,199
Total unrestricted net assets	242,732,457
Temporary restricted net assets (Note 24)	1,081,877
Total net assets	243,814,334
TOTAL	$ 1,093,558,818

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
AS OF DECEMBER 31, 2015

	Unrestricted	Temporary Restricted	Total 2015
OPERATING REVENUES:			
Contributions:			
Corporate, foundation, and individual giving	$ 11,386,712	$ 1,263,881	$ 12,650,593
Services and gifts in kind	3,512,786	-	3,512,786
Program:			
Interest income	354,910,230	-	354,910,230
Grants and contracts, including federal government	11,255,153	-	11,255,153
Fees and other income	15,530,017	-	15,530,017
Net assets released from restrictions	1,495,704	(1,495,704)	-
Total operating revenues	398,090,602	(231,823)	397,858,779
OPERATING EXPENSES:			
Program expenses:			
Program services	374,234,427	-	374,234,427
Fundraising	3,691,502	-	3,691,502
General and administrative	12,903,274	-	12,903,274
Total operating expenses	390,829,203	-	390,829,203
INCOME TAX EXPENSE (Note 7)	9,391,977	-	9,391,977
CHANGE IN NET ASSETS BEFORE NON-OPERATING ITEMS	(2,130,578)	(231,823)	(2,362,401)
INVESTMENT AND FOREIGN EXCHANGE GAIN	25,284,084	-	25,284,084
PENSION-RELATED CHANGES OTHER THAN NET-PERIODIC BENEFIT COST GAIN	634,253	-	634,253
TRANSLATION LOSSES OF FOREIGN OPERATIONS	(76,206,217)	-	(76,206,217)
FAIR VALUE REVALUATION RESERVE	(41,937)	-	(41,937)
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS AND BEFORE NON-CONTROLLING INTERESTS	(52,460,395)	(231,823)	(52,692,218)
LOSS FROM DISCONTINUED OPERATIONS	(1,055,958)	-	(1,055,958)
ISSUE OF FMH INTERESTS TO NON-CONTROLLING SHAREHOLDERS	148,000	-	148,000
CHANGE IN NET ASSETS	(53,368,353)	(231,823)	(53,600,176)
NET ASSETS—Beginning of year	296,100,810	1,313,700	297,414,510
NET ASSETS—End of year	$ 242,732,457	$ 1,081,877	$ 243,814,334

See notes to consolidated financial statements.

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets before non-controlling interest	$ (53,748,176)
Adjustments to reconcile net profit for the period after tax to net cash used in operating activities:	
Foreign currency translation loss	76,206,217
Pension-related changes other than net-periodic benefit cost	(634,253)
Fair value revaluation reserve	41,937
Depreciation and amortization (Notes 13 and 14)	12,229,982
Loss on disposal of fixed assets and intangibles (Notes 13 and 14)	157,043
Impairment on loan losses and other financial assets (Note 11)	40,894,280
Impairment of other assets	1,896,096
Foreign exchange losses	-
Changes in deferred tax assets and liabilities	2,487,719
Other non-cash adjustments	(12,446,527)
(Decrease) increase of assets and liabilities from operating activities after non-cash items:	
Change in interest receivable and fees	804,830
Change in other receivables and other assets	4,905,353
Change in other liabilities	3,026,674
Change in deferred revenue	(4,562,224)
Change in employee benefits	(916,824)
Change in current income tax liability	198,650
Net cash provided by operating activities	70,540,777
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of financial assets	17,286,280
Net change in loans to customers	(75,066,999)
Purchase of property and equipment (Note 13)	(12,784,178)
Purchase of intangible assets (Note 14)	(3,615,480)
Proceeds from sales/disposals of fixed assets (Note 13)	857,838
Net cash provided by investing activities	(73,322,539)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issue of shares	148,000
Net change in customers' and other deposits	66,315,288
Proceeds from lenders	297,126,208
Repayment of loans and borrowings to lenders	(361,942,205)
Net cash used in financing activities	1,647,291

(Continued)

FINCA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (1,134,471)
CASH AND CASH EQUIVALENTS—Beginning of the year	149,154,910
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,801,815)
CASH HELD FOR SALE (Note 22)	(892,988)
CASH AND CASH EQUIVALENTS—End of the year	$ 137,325,636
SUPPLEMENTAL DISCLOSURES TO CASH FLOWS FROM OPERATING ACTIVITIES:	
Interest received	$ 344,248,793
Interest paid	$ (90,596,230)
Income taxes paid	$ (7,089,947)

See notes to consolidated financial statements. (Concluded)

1. NATURE OF ACTIVITIES

FINCA International, Inc. (FINCA or "FINCA International" or the "Company") is a not-for-profit corporation, incorporated in New York, United States of America (USA), that has received a determination letter from the United States Internal Revenue Service classifying it as a tax-exempt public charity described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended. Founded in 1984, FINCA's mission is to alleviate poverty through lasting solutions that help people build assets, create jobs and raise their standard of living. FINCA's headquarters is located in Washington, D.C., USA.

In December 2011, FINCA completed the reorganization of its organizational structure by forming a 100%-owned subsidiary in October 2010, FINCA Microfinance Holding Company LLC (FMH), a holding company incorporated in the USA, through which it could obtain additional capital for expansion of FINCA's mission. FMH is a limited liability company formed under the laws of the State of Delaware. FINCA International is the substantial majority shareholder, with minority positions held by social and development institutions. In exchange for its majority ownership in FMH, FINCA contributed the ownership of all of its microfinance operating subsidiaries to FMH, in which all operating subsidiaries became wholly owned subsidiaries of FMH. Upon completion of this group reorganization, FINCA obtained equity funding of approximately $70.3 million. In 2013, FINCA completed its second capital raise for FMH. FMH received $50 million in additional equity primarily from its existing shareholders. In 2014, one of the existing members contributed an additional $1.7 million in equity to FMH.

The proceeds are used by FINCA to expand outreach, enter additional countries, and provide a greater range of needed products, including savings accounts. FINCA operates FMH with existing FINCA employees and provides stewardship services that include management, accounting, administrative, personnel, and legal functions. FMH follows FINCA's mission of poverty alleviation, and no changes may be made to the corporate purpose without the consent of FINCA. In order to ensure complete alignment of interests with the microentrepreneur clients that it serves, no FINCA employee, board member, or officer may hold any equity interest in FINCA or any of the subsidiaries. FINCA, as the controlling entity, remains a not-for-profit corporation and maintains its designation as a Section 501(c)(3) charitable entity.

As of December 31, 2015, FINCA through FMH operates in 23 developing countries in Latin America (Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, and Nicaragua), Africa (Democratic Republic of the Congo, Malawi, Nigeria, Tanzania, Uganda, and Zambia), Eurasia (Armenia, Azerbaijan, Georgia, Kosovo, Kyrgyzstan, Russia, and Tajikistan), and the Middle East (Afghanistan, Jordan, and Pakistan). FINCA operates through local entities ("subsidiaries") that are owned and/or controlled by FINCA through FMH, including predominantly corporations and, in some cases, nongovernmental organizations, or as 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, FMH loans are made to either groups, individuals or small and medium-sized enterprises ("SME"). Other loans consist of agricultural loans, education loans and other micro-finance loans. Group and village loans 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, FMH, through a growing number of its Subsidiaries, provides other financial services needed by the working poor, including savings deposits, remittances, and micro insurance.

The majority of FINCA's 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.

2. BASIS OF PREPARATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") 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. SUMMARY OF 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.

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 the 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.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

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, 2015 of approximately $3.5 million.

Interest Income—The revenue on interest-earning assets 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 consolidated 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.

With the exception of certain material transactions, the cash flows from FINCA's operations in foreign countries are translated at the weighted average rate for the applicable period in the consolidated statement of cash flows. The impact of material transactions generally are recorded at the applicable spot rates in the consolidated statement of activities and cash flows. The effects of exchange rates on cash balances held in foreign currencies are separately reported in FINCA's consolidated statement of cash flows.

Acquisitions and Business Combinations—FINCA includes the results of the business it has acquired in its 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. 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 company by contributions and returns on its investments. As a result and in accordance with Accounting Standards Codification (ASC) 958 (subtopic 805), *Business Combinations*, FINCA records 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. There were no acquisitions in 2015.

As of December 31, 2015, FINCA holds 62.64% interest on FMH, a holding company, initially established in 2011 with non-controlling interest held by other investors. Subsequent changes of the ownership percentage 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 was formed with other investors for the purpose of raising capital to fund the assets growth of FINCA Subsidiaries. In 2015, FMH issued additional membership interests to its members, which resulted in the ownership of FINCA to change from 62.07% to 62.64% at December 31, 2015. The change did not result in the loss of control. The non-controlling interest reflects the net investment by non-controlling members in the consolidated Subsidiaries, along with their proportional share of earnings or losses. A reconciliation of non-controlling interest as of December 31, 2015 is summarized as follows:

	Changes in Unrestricted Net Assets Attributable to FINCA International and Non-Controlling Interest		
	Total	**FINCA International Inc.**	**Non-Controlling Interest**
Beginning balance—January 1, 2015	$297,414,510	$177,855,065	$119,559,445
Membership interests issued to non-controlling Members	148,000	-	148,000
Attributable change in net assets	(53,748,176)	(30,676,930)	(23,071,246)
Ending balance—December 31, 2015	$243,814,334	$147,178,135	$ 96,636,199

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 carrying value of the reporting unit exceeds the fair 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% 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 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 in FINCA’s consolidated financial statements with the exception of held to maturity investments. Held to maturity investments include investments in debt securities, for which management has the intention and the ability to hold to maturity. Held to maturity investments are reported at amortized cost in the consolidated statement of financial position. The fair values of marketable securities are based on readily determinable quoted market prices and exchange rates. The fair values of non-marketable equity investments are based on valuations of external investment managers. These investments are generally less liquid than other investments and the values reported may differ from the values that would have been reported, had a ready market for these securities existed. Other equity investments are accounted for either using the equity method or at cost, depending on FINCA’s ownership interest in the investee and are reported under Long-term investments and other assets line item.

Investment income classified as operating revenue on the consolidated statement of activities consists of interest and dividend 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, 2015.

Investment in Life Insurance—Investments in life insurance policies are measured at their cash surrender value, which at December 31, 2015 was $158 thousand.

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. Derivatives in an asset and liability position are offset against each other and reported in net investments in the consolidated statement of financial position.

Derivatives involve counterparty credit exposure. To minimize this exposure, FINCA carefully monitors counterparty credit risk and requires only uses those counterparties with strong credit ratings for these derivatives.

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 value 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 outstanding principal balance adjusted for any charge-offs, the allowance for doubtful accounts, plus accrued interest and any net deferred origination fees, premiums, 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 accounts 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 allowance for collectively assessed loan portfolio is determined under ASC 450, *Contingencies* using a statistical methodology, supplemented by FINCA's management judgment. Such determination 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 based on 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 based on 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 statement of activities on a straight-line basis over the estimated useful lives of each 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, 2015 had no finance leases.

Leases that fail to meet the criteria above are classified 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 nonqualified 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 deferred revenue is recognized on 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.

Assets held for sale and Discontinued Operations—Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. In accordance with ASC 360-10, *Impairment or Disposal of Long-Lived Assets*, assets held for sale are reported at the lower of the carrying amount or estimated fair value. The operations of assets held for sale which also qualify as discontinued operations, are reported separately as discontinued operations on the 'Statement of Activities' in accordance with ASC 205-20, *Discontinued Operations*.

New Standards and Interpretations

(a) *FINCA has adopted the following new standards, amendments, and interpretations effective on January 1, 2015, which are relevant to its operations:*

Accounting Standards Update (ASU) No. 2014-08—*Presentation of Financial Statements and Property Plant, and Equipment (Topic 360). Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The update requires that an entity reports the disposal of a component or a group of components in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations. Examples of a strategic shift that has (or will have) a major effect on an entity's operations and financial results could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. The update will be implemented prospectively and for disposals that occur within annual periods on or after December 15, 2014 and within annual periods on or after December 15, 2015. FINCA has implemented the update for disposals that in 2015.

Accounting Standards Update (ASU) No. 2015-16—*Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. The Financial Accounting Standards Board (FASB) issued ASU 205-16 which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. There were no acquisitions in 2015.

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

Accounting Standards Update (ASU) No. 2016-14—*Presentation of Financial Statements for Not-for-Profit Entities*. On August 18, 2016, the FASB issued ASU 2016-14, which significantly changes the presentation requirements for financial statements of not-for-profit entities (NFPs). The amendments are intended to improve the guidance on net asset classification as well as the information presented in the financial statements and financial statement notes regarding liquidity, financial performance, and cash flows for NFPs. Specifically, the ASU addresses (1) the complexity and understandability of net asset classifications, (2) the lack of consistency in the type of information provided about expenses, and (3) inconsistencies in the reporting of (a) operating information in the statement of activities and (b) operating cash flows in the statement of cash flows. The ASU's amendments are effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. FINCA will evaluate the impact of the update on its consolidated financial statement and will consider the early adoption of the update.

Accounting Standards Update (ASU) No. 2016-13—*Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (issued June 16, 2016).* In June 2016, the FASB issued ASU 2016-13 which (1) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model; and (2) provides for recording credit losses on available-for-sale (AFS) debt securities through an allowance account. The Update requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). Under this model, entities will estimate credit losses over the entire contractual term of the instrument (considering estimated prepayments, but not expected extensions or modifications unless reasonable expectation of a troubled debt restructuring exists) from the date of initial recognition of that instrument. For not-for-profit entities, the amendments in the ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. FINCA will evaluate the impact of the update on its consolidated financial statement and will consider the early adoption of the update.

Accounting Standards Update (ASU) No. 2016-01—*Recognition and Measurement of Financial Assets and Financial Liabilities (issued January 5, 2016).* On January 5, 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (the ASU). Changes to the current GAAP model primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. FINCA will evaluate the impact of the update on its consolidated financial statement.

Accounting Standards Update (ASU) No. 2014-09—*Revenue from Contracts with Customers (Topic 606).* The core principle of the update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The update is effective for the annual reporting period ending after December 15, 2017. Early application is permitted, however, not earlier than reporting period ending after December 15, 2016. The update must be applied retrospectively to each prior reporting period presented or retrospectively with cumulative effect of initially applying this update recognized at the date of the initial application.

FINCA will evaluate the impact of the update on its consolidated financial statement and will consider the early adoption of the update.

4. USE OF ESTIMATES

The preparation of the consolidated 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 consolidated financial statements. Estimates and assumptions may also affect disclosures of contingent assets and liabilities at the date of the consolidated 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, 2015, the majority of FINCA's Subsidiaries were not subject to any regulatory capital requirements.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values and are categorized as Level 2.

	2015	
Financial Assets	**Carrying Amount**	**Fair Value**
Loans receivable	$ 793,927,099	$ 809,811,356
Certificate of deposit and other	761,142	761,142
Financial Liabilities		
Financial liabilities held at amortized cost:		
Deposits from clients	$ 168,340,679	$ 168,396,446
Notes payable	584,814,387	588,305,417
Subordinated debt	24,453,715	24,846,814

Financial instruments that are measured at fair value on a recurring basis at December 31, 2015 are as follows:

Financial Assets	Level 1	Level 2	Level 3	Total
Loans receivable	$ -	$ 809,811,356	$ -	$ 809,811,356
Certificate of deposit and other	-	-	761,142	761,142
Financial Liabilities				
Financial liabilities held at amortized cost:				
Deposits from clients	$ -	$ 168,396,446	$ -	$ 168,396,446
Notes payable	-	588,305,417	-	588,305,417
Subordinated debt	-	24,846,814	-	24,846,814

The fair values of loans receivable, deposits from clients, notes payable and subordinated debt categorized as Level 2 have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The most significant inputs are discount rates which were derived from a blend of quoted prices for the instruments and quoted prices for similar instruments on the measurement date.

There were no changes in Level 3 fair value measurement in 2015.

The fair value the Company's investment in membership interests in MFX Solutions LLC would be based on unobservable inputs and are considered Level 3 under the fair value hierarchy. Management considers the identification of a proper discount rate and cash flow analysis impractical, as comparable financial instruments are not available; therefore the certificate of deposits are measured and carried at cost. On each balance sheet date, management tests the value of investments for impairment. As of December 31, 2015 management has concluded that the Company's investments available for sale are not impaired.

There were no transfers between Levels 1 and 2 in the period.

7. INCOME TAX EXPENSE

This item includes all taxes on income. Income tax expense for the years ended December 31, 2015 was as follows:

	2015
Current tax expense	$ 9,107,281
Deferred tax expense (benefit)	284,696
Total income tax expense	$ 9,391,977

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 2015 was 26.1%. 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 2015, FINCA recorded federal and state income tax expense of $10 thousands on the unrelated business income.

Tax rate using domestic tax rate of FINCA (exempt on taxes on income)	$ -
Foreign income tax (taxable Subsidiaries) at local statutory rates	1,589,538
Expenses not deductible for tax purposes	4,275,831
Tax exempt income	172,530
Recognition of previously unrecognized tax losses	(234,420)
Adjustments for under provision in previous periods	389,625
Foreign withholding taxes	3,081,392
Valuation allowance for unrecognized deferred tax assets	783,592
Other	(666,111)
Total income tax expense	$9,391,977

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 *Income Taxes*, and shown on a net basis by Subsidiaries) and the details of the deferred tax assets and liabilities are shown below.

In 2015, FINCA recorded $0.2 million of income tax expense on $(2.0) million 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. The temporary differences of $(2.0) million include $4.3 million of expected distributions of the Subsidiaries' retained earnings from 2015 and $(6.3) million for a reversal of expected distributions of the Subsidiaries' retained earnings from prior years. At December 31, 2015, FINCA recorded a deferred tax liability of $0.5 million on 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, 2015, the amount of such temporary differences totaled $80.5 million. At December 31, 2015, the amount of the unrecognized deferred income tax liability on these temporary differences was approximately $3.8 million.

ASC 740 generally requires that deferred 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, 2015, FINCA has a valuation allowance of $7.5 million 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, foreign provisions for credit losses on loans, and foreign tax credits that cannot be realized in the foreseeable future.

Deferred Tax Assets—At December 31, 2015, deferred tax assets were recognized by the Subsidiaries in the following jurisdictions: Armenia, Azerbaijan, Georgia, Tajikistan, Honduras, Mexico, DRC, Malawi, Tanzania, Uganda, Pakistan, USA, Afghanistan, Haiti, Nigeria, Russia, and the Netherlands as follows:

2015	**Assets (Liability)**
Property and equipment, and software	$ (121,357)
Provision for loan loss impairment	4,119,260
Cash flow hedges	(1,720,472)
Deferred income/accrued interest	1,357,267
Tax loss carryforwards	6,827,451
Other	1,482,028
Total deferred tax assets	11,944,177
Valuation allowance	(5,042,422)
Net deferred tax assets	$ 6,901,755

Deferred Tax Liabilities—At December 31, 2015, deferred tax liabilities are recorded by FMH and FINCA Subsidiaries in the Netherlands, Kyrgyzstan, Ecuador, Nicaragua, Malawi, and Zambia as follows:

2015	**Assets (Liability)**
Property and equipment, and software	$ (121,288)
Provision for loan loss impairment	(231,951)
Deferred income/accrued interest	(122,610)
Tax loss carryforwards	1,501,633
Future distribution of retained earnings	(475,879)
Other	864,544
Total deferred tax liabilities	1,414,449
Valuation allowance	(2,411,751)
Net deferred tax (liabilities) assets	$ (997,302)

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, 2015, FINCA did not record any additional unrecognized tax benefits. As a result of a lapse of a statute of limitations, an unrecognized tax benefit of $0.7 million was recognized. 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, 2015, no estimated interest and penalties related to unrecognized tax benefits were accrued. As a result of a lapse of a statute of limitations, $0.7 million benefit was recognized as a reversal of estimated interest and penalties related to unrecognized tax benefits that had been accrued in prior years. The benefit was not included in the income tax expense line item, but it was accrued in the other operating expenses under general and administrative expenses in the consolidated statement of activities. Accrued interest and penalties are generally included within the related accrued liabilities line in the consolidated statement of financial position.

FINCA is subject to taxation in the United States and various states and foreign jurisdictions. As of December 31, 2015, FINCA's tax years 2008–2015 are subject to examination by the tax authorities.

8. RESTRICTED CASH

Restricted cash balances of $24.9 million as of December 31, 2015 comprise 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, 2015, consist of the following:

	2015
Short-term investments:	
Certificates of deposits	$ 6,078,484
Treasuries	10,602,282
Investment in FINCA Microfinance Fund	1,294,907
Long-term investments and other assets:	
Certificates of deposits	638,483
Treasuries	1,084,805
Investment in MFX Solutions	200,000
	$ 19,898,961

10. DERIVATIVE ASSETS AND LIABILITIES

The derivative assets and liabilities are represented by the following balances:

2015	**Notional Amount**	**Fair Value Assets**	**Fair Value Liabilities**
Fair value from derivatives with third parties:			
Foreign exchange swaps	$ 82,066,838	$ 20,570,235	$ 1,152,086
Foreign exchange forwards	34,381,405	9,402,790	-
Total derivatives with third parties	$ 116,448,243	$ 29,973,025	$ 1,152,086

Due to the volatility of foreign currencies, the estimated fair value of our derivative instruments is subject to fluctuation from period to period, which could result in significant differences between the current estimated fair value and the ultimate settlement. As of December 31, 2015, $16.9 million and $1 million of derivative assets and liabilities, respectively, will settle within 12 months.

Neither of the above balances related to hedge transactions qualified for hedge accounting. The change in derivative assets and liabilities are recorded in 'Investment and Foreign Expense Gain' on the Consolidated Statement of Activities.

11. LOANS RECEIVABLE—NET

Loans receivable at December 31, 2015 consist of the following:

	2015
Current gross loans to clients	$ 604,636,808
Non-current gross loans to clients	214,214,009
Total gross loans to clients	818,850,817
Allowances for doubtful accounts	(24,923,718)
Loans receivable—net	$ 793,927,099

	2015
Allowances for doubtful accounts:	
Balance—January 1	$ 17,533,632
Credit loss provision for the year:	40,643,279
Charge for the year	(26,912,121)
Amounts written off—net of recovery	(508,303)
Effect of foreign currency movements	(5,832,769)
Balance—December 31	$ 24,923,718

A summary of balances per loan portfolio segments at December 31, 2015 is summarized as follows:

2015	Total Loans Principal	Allowance for Loan Losses	Interest and Deferred Costs Capitalized	Ending Balance
Less than $1,000	$301,964,302	$(10,378,948)	$5,796,073	$297,381,427
$1,001–$5,000	310,044,352	(9,070,487)	1,577,833	302,551,698
$5,001–$10,000	84,254,651	(2,572,128)	577,096	82,259,619
More than $10,001	113,872,580	(2,902,155)	763,930	111,734,355
Total	$810,135,885	$(24,923,718)	$8,714,932	$793,927,099

Activity in allowance for loan losses by segment at December 31, 2015 is summarized as follows:

2015	Beginning Balance	Charge-Offs Net of Recoveries	Provision for the Year	Foreign Currency Movements	Held for Sale Reclassifications	Ending Balance
Less than $1,000	$ 6,369,554	$(11,020,615)	$16,546,873	$(1,842,489)	$ 325,624	$10,378,947
$1,001–$5,000	7,208,392	(10,545,235)	15,424,194	(2,437,536)	(579,327)	9,070,488
$5,001–$10,000	2,018,944	(2,591,680)	3,927,742	(666,334)	(116,543)	2,572,129
More than $10,001	1,936,742	(2,754,591)	4,744,472	(886,409)	(138,060)	2,902,154
Total	$17,533,632	$(26,912,121)	$40,643,281	$(5,832,768)	$(508,306)	$24,923,718

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, 2015, FINCA's aggregate loan portfolio was $818.9 million and the respective total allowances for impairment totaled $24.9 million, providing a coverage ratio of 3.0% of total loan portfolio amount. 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, 2015, 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 the best 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. Additions to the allowance are made through the provision for loan losses. Loan losses are deducted from the allowance and subsequent recoveries are added.

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, 2015 is summarized as follows:

2015	**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	$ 3,470,612	$ 2,317,447	$ 6,242,895	$ 12,030,954	$ 295,729,425	$ 307,760,379
$1,001–$5,000	3,269,202	2,166,032	4,936,676	10,371,910	301,250,275	311,622,185
$5,001–$10,000	840,853	555,644	1,523,969	2,920,465	81,911,278	84,831,743
More than $10,000	797,565	732,087	1,796,424	3,326,077	111,310,433	114,636,510
Total	$ 8,378,232	$ 5,771,210	$ 14,499,964	$ 28,649,406	$ 790,201,411	$ 818,850,817

12. OTHER RECEIVABLES, PREPAID AND OTHER ASSETS

The balances representing other receivables, prepaids, and other assets at December 31, 2015 are summarized as follows:

	2015
Receivable from money remittance and other agencies	$ 788,480
Current income tax asset	2,851,581
Grants receivable	3,797,035
Deposit with Internal Revenue Service and other fiduciary agencies	779,670
Receivable commission, rebates, and refunds from banks and agencies	2,436,038
Financial assets other than cash and cash equivalents and loans receivable	10,652,804
Prepaid rent	2,738,951
Prepaid taxes	3,348,840
Prepayment for fixed assets	-
Office supplies	868,597
Staff advances and loans	649,764
Prepaid repair and maintenance expenses	224,224
Prepaid insurance	520,155
Encumbered account	-
Investment property	1,080,249
Other debtors	2,392,381
Total	$ 22,475,965

All other receivables, prepaid and other assets have a maturity of no more than 12 months from the balance sheet date, other than $350 thousand of which is long-term.

13. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 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, 2015	$ 65,235,911	$ 5,437,185	$ 3,509,516	$ 12,609,224	$ 19,377,192	$ 14,796,673	$ 4,814,080	$ 4,692,041
Acquisitions	16,468,179	2,488,035	3,325,397	3,557,444	3,627,093	2,681,334	422,601	366,275
Disposals	(7,959,915)	(1,222,128)	(3,409,413)	(715,976)	(715,940)	(427,711)	(564,108)	(904,639)
Currency translation	(9,893,096)	(367,411)	(543,754)	(1,734,954)	(2,602,178)	(3,141,634)	(651,993)	(851,172)
Disposal of held for sale assets	(836,356)	(109,560)	-	(10,480)	(253,143)	(221,318)	(197,474)	(44,381)
Balance—December 31, 2015	$ 63,014,723	$ 6,226,121	$ 2,881,746	$ 13,705,258	$ 19,433,024	$ 13,687,344	$ 3,823,106	$ 3,258,124
Depreciation and Impairment Losses								
Balance—January 1, 2015	$ 31,727,870	$ 1,338,834	$ -	$ 5,067,724	$ 11,423,356	$ 9,521,194	$ 3,406,624	$ 970,138
Depreciation and amortization	8,287,633	456,873	-	1,649,717	2,918,770	2,205,600	558,548	498,125
Disposals	(2,313,493)	(7,341)	-	(553,320)	(781,688)	(414,235)	(462,808)	(94,101)
Currency translation	(5,092,521)	(38,160)	-	(811,788)	(1,761,587)	(1,790,318)	(463,831)	(226,837)
Disposal of held for sale assets	(651,269)	(74,414)	-	(4,367)	(244,285)	(218,370)	(71,579)	(38,254)
Balance—December 31, 2015	$ 31,958,220	$ 1,675,792	$ -	$ 5,347,966	$ 11,554,566	$ 9,303,871	$ 2,966,954	$ 1,109,071
Net Carrying Amounts								
Balance—January 1, 2015	$ 33,508,041	$ 4,098,351	$ 3,509,516	$ 7,541,500	$ 7,953,836	$ 5,275,479	$ 1,407,456	$ 3,721,903
Balance—December 31, 2015	$ 31,056,503	$ 4,550,329	$ 2,881,746	$ 8,357,292	$ 7,878,458	$ 4,383,473	$ 856,152	$ 2,149,053

Depreciation and amortization expense charged for the years ended December 31, 2015 was $8.3 million.

14. INTANGIBLE ASSETS

Intangible assets at December 31, 2015 consist of the following:

Costs	Total	Capitalized Software	Capital Work-In-Progress	Other
Balance—January 1, 2015	$ 24,628,485	$ 22,865,806	$ 1,011,305	$ 751,374
Acquisition	4,317,887	3,448,610	869,277	-
Disposals	(797,797)	(675,040)	(122,757)	-
Currency translation	(4,827,666)	(4,676,937)	(150,729)	-
Disposal of held for sale	(13,099)	(13,099)	-	-
Balance—December 31, 2015	$ 23,307,810	$ 20,949,340	$ 1,607,096	$ 751,374
Amortization and Impairment				
Balance—January 1, 2015	$ 11,666,125	$ 11,200,653	$ -	$ 465,472
Amortization for the year	4,075,062	3,920,796	-	154,266
Disposals	(92,566)	(92,566)	-	-
Currency translation	(3,396,823)	(3,396,823)	-	-
Disposal of held for sale	(2,825)	(2,825)	-	-
Balance—December 31, 2015	$ 12,248,973	$ 11,629,235	$ -	$ 619,738
Net Carrying Amounts				
Balance—January 1, 2015	$ 12,962,360	$ 11,665,153	$ 1,011,305	$ 285,902
Balance—December 31, 2015	$ 11,058,837	$ 9,320,105	$ 1,607,096	$ 131,636

Amortization expense for the years ended December 31, 2015 amounts to $4.1 million. Included in 2015 amortization expense is $0.5 million of core banking system licenses written off by FMH.

15. ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities at December 31, 2015 are as follows:

	2015
Current:	
Other accounts payable and accrued expenses	$ 7,114,440
Professional services	2,799,563
Interest refundable to clients	183,696
Office supplies	905,240
Insurance	680,625
Personnel	12,957,797
Taxes	5,617,227
Legal provision	526,267
	30,784,855
Non-current:	
Deferred Rent	2,942,860
Total	$ 33,727,715

All accounts payable and other accrued liabilities have a maturity of no more than 12 months from the balance sheet date, other than the non-current portion of deferred rent of $2.9 million of which has an amortization term of 11 years. Carrying values approximate fair value at December 31, 2015.

16. 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.

	2015
Compulsory savings/cash collateral	$ 5,913,554
Voluntary savings:	
Saving accounts	54,414,511
Term deposit accounts	96,766,899
Other voluntary savings	11,245,715
Total voluntary savings	162,427,125
Total deposits from clients	$ 168,340,679

17. 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 six months LIBOR + 375 bps up to 36.1% floating and up to 37.5% 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 the 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 which have impacted 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 some 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, 2015, FINCA, FMH and its Subsidiaries in Armenia, Azerbaijan, Georgia, Kosovo, Kyrgyzstan, Russia, Tajikistan, Ecuador, Mexico, Malawi and Tanzania were in breach of financial covenants regarding loans from international financial institutions amounting to $233.9 million. As of December 31, 2015, FMH and its Subsidiaries had obtained formal waivers for these breaches of covenants accounting for $110.1 million and prior to the date of issuance of these consolidated financial statements a further $16.3 million. All loans for which no formal waivers were obtained or were not obtained before December 31, 2015 are classified as current in the maturity table below.

Notes payable at December 31, 2015 are as follows:

	2015
Overdraft	$ -
Notes payable:	
Principal amount	577,909,053
Accrued interest	6,905,334
	$ 584,814,387

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

2016	$ 359,273,258
2017	88,862,297
2018	55,700,245
2019	16,413,915
2020	9,960,726
Thereafter	47,698,612
	$ 577,909,053

The book value of notes payable at December 31, 2015 is as follows:

	2015
Non-current:	
Notes payable:	
Secured	$ 25,894,591
Unsecured	142,438,986
Collateralized borrowings	49,717,170
	218,050,747
Current:	
Overdrafts	-
Notes payable:	
Secured	24,660,523
Unsecured	341,495,857
Collateralized borrowings	607,260
	366,763,640
Total notes payable	$ 584,814,387

18. SUBORDINATED DEBT

The balance is mainly represented by subordinated debt which was received in 2009 by seven Subsidiaries from the Microfinance Fund of which $19.6 million was outstanding at December 31, 2015. Maturity of this debt is on September 20, 2016, and an effective interest rate varies in the range of 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.

The remaining subordinated debt balance consists of debt from external financial institutions to FINCA Georgia ($2.8 million) and FINCA Nicaragua ($2.0 million) as of December 31, 2015.

19. 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 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, 2015 is as follows:

United States Department of Agriculture	$ 1,958,984
Others	4,079,954
Total	$ 6,038,938

20. 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 limits and catch-up limit were $18,000 and $6,000 for 2015, respectively. FINCA may make contributions to the Plan as a discretionary employer match. FINCA's contributions to the Plan for the year ended December 31, 2015 was $0.4 million.

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 2015, one plan participant reached the vesting period, and there were $1 million of settlements, which reduced the benefit obligation. These settlements were due to a lump sum settlement payment of $0.6 million and a settlement gain of $0.4 million. The total benefits paid during 2015 were $0.7 million, which consisted of the lump sum settlement of $0.6 million and the net employer benefits paid of $0.1 million.

The net liability of FINCA's defined benefit agreement recognized at December 31, 2015 is summarized as follows:

	2015
Benefit obligation—beginning of year	$ 4,618,475
Service cost	79,309
Interest cost	149,041
Actuarial gain	(93,838)
Settlement	(1,011,441)
Net employer benefits paid	(142,500)
Benefit obligation—end of year	$ 3,599,046

The change in plan assets at December 31, 2015 is summarized as follows:

	2015
Fair value of assets—beginning of year	$ -
Employee contributions	-
Employer contributions	708,289
Benefits paid	(708,289)
Fair value of assets—end of year	$ -

The funded status of FINCA's defined benefit at December 31, 2015 is summarized as follows:

	2015
Benefit obligation—end of year	$ 3,599,046
Funded status	$ (3,599,046)
Unrecognized prior service cost	594,478
Unrecognized net actuarial losses	907,929
Accrued benefit cost	$ (2,096,639)

The amount of net periodic cost at December 31, 2015 is summarized as follows:

	2015
Service cost	$ 79,309
Interest cost	149,041
Amortization of actuarial loss (10% corridor)	159,021
Settlement of pension obligation loss	255,188
Amortization of prior service cost	126,206
Total net periodic cost	$768,765

Components other than net periodic cost included in the consolidated statement of activities for the year ended December 31, 2015 are summarized as follows:

	2015
Net actuarial loss	$(508,047)
Prior service (credit)	(126,206)
Total related credits other than net periodic cost	$(634,253)

Items not yet recognized as components of net periodic pension cost at December 31, 2015 are summarized as follows:

	2015
Unrecognized prior service cost	$ 594,478
Unrecognized net actuarial losses	907,929
Total unamortized pension prior service cost and losses	$ 1,502,407

Weighted-average assumptions used to determine benefit obligations at December 31, 2015 are as follows:

	2015
Discount rate	3.8 %
Salary scale	N/A

Weighted-average assumptions used to determine net period pension cost for the years ended December 31, 2015 are as follows:

	2015
Discount rate	3.3 %
Salary scale	N/A

Based upon the assumptions used to measure pension obligations, FINCA expects to make the following benefit payments in aggregate over the next five years:

Years Ending December 31	
2016	$133,903
2017	618,591
2018	164,504
2019	162,973
2020	633,152
In aggregate for five fiscal years thereafter	879,801

FINCA's defined benefit plan is exposed to actuarial risks, such as investment, interest rate, and life expectancy risks.

Investment Risk—The present value of the defined benefit plan liability is calculated using the December 31, 2015 Citigroup pension discount curve and the expected benefit payments from the plan. This curve is the published yield curve of high-grade corporate bond rates.

Interest Risk—A decrease in the bond interest rate will increase the plan liability.

Life Expectancy Risk—The present value of the defined benefit plan liability is calculated using the published mortality tables for plan participants during and after employment with FINCA. An increase in the life expectancy of the plan participants will increase the plan's liability.

Significant actuarial assumptions for the determination of the defined obligation are discount rate and the life-expectancy of plan participants. The sensitivity analysis below has been determined based on reasonably possible changes of the discount rate assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is a 500 basis points higher (lower) the defined benefit obligation would decrease (increase) by $0.2 million.

21. COMMITMENTS AND CONTINGENCIES

At December 31, 2015, 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:

	2015
Less than one year	$ 6,173,623
Between one and five years	22,143,043
More than five years	7,817,441
	$ 36,134,107

Rent expense was $14.7 million for the years ended December 31, 2015.

There are no contingent assets, contingent liabilities, and capital commitments at December 31, 2015. As discussed in Note 25, FINCA issued guarantees to the third parties on behalf of its subsidiaries.

22. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of December 31, 2015, the assets and liabilities related to FINCA S.A. de C.V. (FINCA El Salvador) were actively marketed for sale at a price which was reasonable compared to its book value. The decision to sell the assets and liabilities related to FINCA El Salvador was approved by FINCA's Executive Committee (authorized by the Board of Directors) on December 27th, 2015. Management is committed to the sale and is expected to be recorded within one year. Therefore, as of December 31, 2015, in the assets and liabilities related to FINCA El Salvador meets the Held-For-Sale criteria in accordance with ASC 360-10 *Impairment or Disposal of Long-Lived Assets*. In accordance with ASC 360-10, the assets and liabilities held for sale were written down to their fair value, less costs to sell, of $2.5 million. This fair value is equal to the selling price negotiated by the third party buyer, and therefore is recorded within level 3 of the fair value hierarchy.

The pending sale of FINCA El Salvador by FINCA represents a discontinued operation in accordance with ASC 205-20, *Discontinued Operations*. FINCA El Salvador is a component of FINCA in which the cash flows will be eliminated from ongoing FINCA operations and will not have any significant involvement after the disposal transaction. Assets and liabilities of FINCA El Salvador are as follows:

(a) Assets of disposal group classified as held for sale

	2015
Cash and cash equivalents	$ 892,988
Loans to customers, net	10,196,694
Total	$ 11,089,682

(b) Liabilities of disposal group classified as held for sale, excluding intercompany liabilities of $5.6 million

	2015
Accounts payable and other liabilities	$ 613,552
Notes payable and overdrafts	2,401,536
Deferred revenue and refundable advances	14,263
Deferred tax liability	6,341
Total	$ 3,035,692

Analysis of the result of the discontinued operations, and the result recognized on the re-measurement of assets of disposal group is as follows:

	2015
Net operating income	$ 3,994,137
Expenses	(3,962,351)
Intercompany expenses eliminated on consolidation	705,292
Other income (expenses)	109,401
Profit before income tax of discontinued operations	846,479
Tax	(6,341)
Profit after income tax of discontinued operations	840,138
Loss recognized on the re-measurement of assets of disposal group	(1,896,096)
Loss for the year from discontinued operations	$ (1,055,958)

(c) Cash flows

	2015
From operating activity	$ (769,875)
From investing activity	(116,842)
From financing activity	(920,359)
Total cash flows	$ (1,807,076)

23. FINCA ENTITIES

Through its headquarters, foreign representative offices and branches, controlled subsidiaries and affiliates, FINCA operates in 27 countries. All subsidiaries are controlled by FINCA directly or indirectly through FMH (see Note 1). The significant microfinance operating subsidiaries and controlled affiliates of FINCA at the end of the reporting period 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
Nigeria	FINCA Microfinance Bank Limited
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 FINCA Bank Georgia 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
Middle East	
Jordan	FINCA Jordan Specialized Micro Loans Company
Afghanistan	FINCA Afghanistan Joint Stock Company Limited by Shares
Pakistan	FINCA Microfinance Bank Ltd.
Non-microfinance subsidiaries	
Netherlands	FINCA Network Support Services BV.
Netherlands	FINCA Microfinance Cooperatief U.A.
USA	FINCA Services USA LLC
USA	FINCA Plus LLC
USA	FINCA Microfinance Global Services LLC
Charitable affiliates	
United Kingdom	FINCA UK
Canada	FINCA Canada

24. TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets activity in 2015 was as follows:

	2015	Contributions	Released	2015
Credit Suisse	$ 378,850	$ 529,160	$ (419,259)	$ 488,751
Visa	100,614	-	(32,271)	68,343
Haiti & Vibrant Village Fund	200,570	134,325	(326,170)	8,725
Zambia	61,258	11,706	(41,764)	31,200
Rumsfeld	46,815	160,000	(140,875)	65,940
Uganda & FINCA Plus	85,807	107,368	(156,686)	36,489
Afghanistan	4,769	9,583	(2)	14,350
El Salvador	107,630	6,228	(110,101)	3,757
Congo & Whole Planet	75,365	4,000	(56,952)	22,413
Ford Foundation	41,968	119,980	(41,948)	120,000
Jordan	800	24,000	(0)	24,800
Tanzania	10,793	8,000	(4,865)	13,928
Malawi	36,128	10,137	(4,451)	41,814
Guatemala	8,261	7,152	(8,261)	7,152
Ecuador	6,000	-	-	6,000
Russia	2,000	800	-	2,800
Mexico	33,403	15,514	(32,972)	15,945
Pakistan	4,000	-	-	4,000
Water org (not FINCA Plus)	65,000	-	(65,000)	-
National Community Foundation	22,500	10,000	(32,500)	-
Clifford Change Foundation	21,169	50,000	(26,675)	44,494
Barefoot	-	-	3,395	3,395
LA Hub	-	-	1,653	1,653
UK MESA	-	55,928	-	55,928
UK general org	-	-	-	-
Total	$1,313,700	$1,263,881	$(1,495,704)	$1,081,877

25. RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Senior Management Compensation—Total compensation paid to the senior management of the Company for the years ended December 31, 2015:

	2015
Short-term benefits	$4,357,179
Post employment benefits	135,393
	$4,492,572

Guarantees—FINCA International provides a guarantee directly on a line of credit with an outstanding balance of $4.6 million as of December 31, 2015.

26. SUBSEQUENT EVENTS

FINCA Azerbaijan on March 11, 2016 informed its lenders that it would suspend payment of principal and interest pending formulation and implementation of restructuring options with its lenders. The subsidiary has a cash balance of $28.5 million as of March 31, 2016 and continues to generate cash from its ongoing operations while negotiations with the lenders are ongoing. There is no recourse to the parent company (FINCA) for any of the liabilities of FINCA Azerbaijan.

Subsequent to the balance sheet date, on June 28, 2016, FINCA Microfinance Holding Company LLC (“FMH”) sold 90% of its shares in FINCA El Salvador for $9.1 million including outstanding debt and accrued unpaid interest, of which $5.7 million was received in cash and the remainder in the form of a loan by FMH to the Buyer. On December 31, 2016, the remaining minority holding of 10% will be purchased by the Buyer at the same per share price as that agreed in June 2016. The sale proceeds from the minority holding will be added to the loan. As of October 3, 2016, $3.2 million was outstanding under the loan agreement. The loan balance will be repaid in three installments due June 28, 2017, December 28, 2017, and at final maturity, June 28, 2018.

Subsequent to the balance sheet date, FMH entered into discussions with a third party for the sale of one of its subsidiaries in Mexico. However, there is no certainty that a transaction will be consummated.

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SUPPLEMENTAL SCHEDULE AND
NOTES TO SUPPLEMENTAL SCHEDULE

FINCA INTERNATIONAL INC.

SUPPLEMENTAL SCHEDULE—CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	G&A	Fundraising	Total
Salaries and Direct Benefits	$106,871,057	$ 3,943,638	$ 539,777	$111,354,472
Fringe benefits	33,444,847	2,005,435	185,215	35,635,497
Travel and entertainment	10,286,532	343,925	41,440	10,671,897
Professional services	13,791,669	3,107,455	1,089,454	17,988,578
Occupancy and utilities	16,546,357	948,321	-	17,494,678
Equipment and office maintenance	2,972,251	674,318	-	3,646,569
Interest Expenses	94,775,110	149,041	-	94,924,151
Direct training and hiring	2,071,539	108,955	-	2,180,494
Advertising	4,288,721	6,266	190,701	4,485,688
Communications	5,930,191	195,104	71	6,125,366
Equipment, commodities, and vehicles	2,307,138	22,767	-	2,329,905
Security	5,578,120	720	-	5,578,840
Bank and credit card fees	2,363,501	125,221	-	2,488,722
Office supplies	7,611,537	90,134	238	7,701,909
Depreciation and amortization expense	11,965,397	264,584	-	12,229,981
Provision for loan losses	40,643,279	-	-	40,643,279
Taxes other than income	3,559,804	3,106	-	3,562,910
Insurance	1,399,270	586	-	1,399,856
Other direct cost	3,904,773	216,943	1,644,606	5,766,322
License and subscription fees	2,176,501	1,924,619	-	4,101,120
Impairment of assets held for use	518,969	-	-	518,969
General and administrative allocation	1,227,864	(1,227,864)	-	-
Total operating expenses	$374,234,427	$12,903,274	$3,691,502	$390,829,203

1. 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.

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.