

COMBINED FINANCIAL STATEMENTS

**GLOBAL COMMUNITIES AND
RELATED ENTITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

GLOBAL COMMUNITIES AND RELATED ENTITIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Communities and Related Entities
Silver Spring, Maryland

We have audited the accompanying combined financial statements of Global Communities and Related Entities (Global Communities), which comprise the combined statement of financial position as of September 30, 2015, and the related combined statements of activities, change in net assets and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Global Communities as of September 30, 2015, and the combined change in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Global Communities' 2014 combined financial statements, and we expressed an unmodified audit opinion on those combined audited financial statements in our report dated March 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Schedule of Functional Expenses Without Related Entities on page 33, the Combining Schedule of Financial Position on page 34, the Combining Schedule of Activities on page 35 and the Combining Schedule of Change in Net Assets on page 36 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



March 16, 2016

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	<u>2015</u>	<u>2014</u> <u>As Restated</u>
Cash and cash equivalents (Note 2)	\$ 51,561,773	\$ 38,844,072
Investments (Notes 3 and 16)	38,211,236	39,165,046
Loans receivable, net of allowance (Notes 4 and 8)	166,985,950	151,175,406
Federal grants and contracts receivable	3,741,806	3,821,014
Non-Federal grants and contracts receivable (Note 5)	30,261,709	30,011,920
Interest and accounts receivable	2,392,445	2,159,193
Prepaid expenses and other assets	1,874,019	1,381,047
Fixed and intangible assets (Note 6)	4,470,945	1,930,523
Security deposits	<u>337,493</u>	<u>324,310</u>
TOTAL ASSETS	\$ <u>299,837,376</u>	\$ <u>268,812,531</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Credit lines (Note 7)	\$ 513,436	\$ 4,183,496
Notes payable (Note 8)	119,053,150	100,253,438
Accounts payable and accrued expenses	8,248,369	6,557,553
Accrued salaries and benefits	8,659,562	8,547,131
Deferred revenue	1,914,145	2,343,099
Deferred rent	<u>2,064,235</u>	<u>-</u>
Total liabilities	<u>140,452,897</u>	<u>121,884,717</u>

NET ASSETS

Unrestricted:		
Global Communities	76,607,313	70,849,370
Related Entities:		
Controlling Interest	29,008,923	28,085,653
Noncontrolling Interest	<u>5,158,563</u>	<u>2,400,915</u>
Total unrestricted net assets	<u>110,774,799</u>	<u>101,335,938</u>
Temporarily restricted (Note 9):		
Project Funds	43,652,851	41,635,047
Loan Capital	<u>4,956,829</u>	<u>3,956,829</u>
Total temporarily restricted net assets	<u>48,609,680</u>	<u>45,591,876</u>
Total net assets	<u>159,384,479</u>	<u>146,927,814</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>299,837,376</u>	\$ <u>268,812,531</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>As Restated Total</u>
REVENUE AND SUPPORT				
Grants and contributions (Notes 12, 13 and 14)	\$ 97,286,424	\$ 31,582,149	\$ 128,868,573	\$ 100,035,366
Contracts (Notes 12 and 13)	16,078,772	-	16,078,772	14,714,354
In-kind contributions	672,556	-	672,556	94,779
Interest and investment income (Notes 3 and 4)	18,009,540	-	18,009,540	24,296,683
Other income	3,005,351	-	3,005,351	2,178,620
Net assets released from restrictions - satisfaction of donor restrictions (Note 9)	<u>28,564,345</u>	<u>(28,564,345)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>163,616,988</u>	<u>3,017,804</u>	<u>166,634,792</u>	<u>141,319,802</u>
EXPENSES				
Technical Assistance	120,575,603	-	120,575,603	104,301,894
Capital Assistance	16,999,257	-	16,999,257	20,353,565
General and Administrative	<u>19,949,577</u>	<u>-</u>	<u>19,949,577</u>	<u>17,095,488</u>
Total expenses	<u>157,524,437</u>	<u>-</u>	<u>157,524,437</u>	<u>141,750,947</u>
Change in net assets before other items	6,092,551	3,017,804	9,110,355	(431,145)
OTHER ITEMS				
Currency loss	(334,608)	-	(334,608)	(525,826)
Net gain from Related Entities	<u>1,481,988</u>	<u>-</u>	<u>1,481,988</u>	<u>2,073,543</u>
CHANGE IN NET ASSETS	<u>\$ 7,239,931</u>	<u>\$ 3,017,804</u>	<u>\$ 10,257,735</u>	<u>\$ 1,116,572</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINED STATEMENT OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>Unrestricted</u>			<u>Temporarily Restricted</u>			<u>2015 Total</u>	<u>2014 Total As Restated</u>	
	<u>Related Entities</u>			<u>Project Funds</u>	<u>Loan Capital Funds</u>	<u>Total</u>			
	<u>Global Communities</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>				<u>Total</u>		
Balance at beginning of year, as restated (Note 17)	\$ 70,849,370	\$ 28,085,653	\$ 2,400,915	\$ 101,335,938	\$ 41,635,047	\$ 3,956,829	\$ 45,591,876	\$ 146,927,814	\$ 145,811,242
Proceeds from issuance of units	-	-	2,198,780	2,198,780	-	-	-	2,198,780	-
Minority interest equity contribution	-	-	150	150	-	-	-	150	-
Change in net assets	<u>5,757,943</u>	<u>923,270</u>	<u>558,718</u>	<u>7,239,931</u>	<u>2,017,804</u>	<u>1,000,000</u>	<u>3,017,804</u>	<u>10,257,735</u>	<u>1,116,572</u>
BALANCE AT END OF YEAR	<u>\$ 76,607,313</u>	<u>\$ 29,008,923</u>	<u>\$ 5,158,563</u>	<u>\$ 110,774,799</u>	<u>\$ 43,652,851</u>	<u>\$ 4,956,829</u>	<u>\$ 48,609,680</u>	<u>\$ 159,384,479</u>	<u>\$ 146,927,814</u>

See accompanying notes to combined financial statements.

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,257,735	\$ 1,116,572
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Decrease)/increase in loan allowance	(522,161)	682,661
Realized and unrealized loss/(gain) on investments	2,202,699	(1,230,017)
Depreciation and amortization	693,420	581,038
(Gain)/Loss on sale/disposal of furniture and equipment	(14,413)	5,271
(Increase) decrease in:		
Federal grants and contracts receivable	79,208	(2,825,676)
Non-Federal grants and contracts receivable	(249,789)	7,828,023
Interest and accounts receivable	(233,252)	(628,184)
Prepaid expenses and other assets	(492,972)	(277,267)
Security deposits	(13,183)	(26,807)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,690,816	1,427,826
Accrued salaries and benefits	112,431	757,555
Deferred revenue	(428,954)	2,343,099
Deferred rent	<u>2,064,235</u>	<u>-</u>
Net cash provided by operating activities	<u>15,145,820</u>	<u>9,754,094</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in gross loans receivable	(15,288,383)	(22,020,843)
Purchase of property and equipment	(3,253,284)	(432,868)
Investment purchases and reinvestments	(1,248,889)	(4,622,850)
Proceeds from sales of investments	-	1,000,000
Proceeds from sales of furniture and equipment	<u>33,855</u>	<u>8,998</u>
Net cash used by investing activities	<u>(19,756,701)</u>	<u>(26,067,563)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from credit lines	-	211,566
Repayment on credit lines	(3,670,060)	(2,608,498)
Proceeds from notes payable	35,211,506	35,838,934
Principal payments on notes payable	(16,411,794)	(14,094,489)
Proceeds from the issuance of units	2,198,780	-
Proceeds from minority equity contribution	<u>150</u>	<u>-</u>
Net cash provided by financing activities	<u>17,328,582</u>	<u>19,347,513</u>
Net increase in cash and cash equivalents	12,717,701	3,034,044
Cash and cash equivalents at beginning of year	<u>38,844,072</u>	<u>35,810,028</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 51,561,773</u>	<u>\$ 38,844,072</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Global Communities (formerly CHF International) was incorporated as a non-profit organization under the laws of the State of New Jersey in 1952. Global Communities currently provides technical assistance to individuals, international governmental organizations, and private organizations that, in turn, assist their citizens or members in improving their homes and communities. Global Communities also provides capital assistance, which includes making home and community improvement loans to low income individuals in developing countries. Global Communities' programs are funded primarily through grants and cooperative agreements with the United States Agency for International Development.

Related entities -

Global Communities has assisted with the establishment of two non-profit entities located in Jordan(MEMCC) and Bosnia(LIDER); and for-profit entities registered in Lebanon (ATAS-M). Global Communities also owns a majority interest in CHF Development Finance International, LLC. (Vitas Group), a for-profit limited liability corporation established under the laws of the State of Maryland. Global Communities also formed a company, Atas, Inc., a for-profit LLC established under the laws of the State of Delaware (ATAS-DE). Global Communities owns 98% of ATAS-DE. ATAS-DE and Vitas Group were incorporated in Maryland and Delaware, respectively. The other related entities are legally incorporated within their respective countries. Global Communities maintains significant control over the entities. All of the entities were established to manage micro-enterprise loan programs within their respective jurisdictions.

On November 25, 2012, Global Communities established a Joint Stock Company in Egypt (MCSE-CHF Management and Consulting Services Egypt S.A.E). Global Communities owns 99.9% of the Egyptian entity, which is organized and existing under the laws of the Arab Republic of Egypt. The Egyptian entity implements the services agreement dated September 22, 2011 between the Overseas Private Investment Corporation (OPIC) and Global Communities.

On July 11, 2014, Global Communities established a civil association in Brazil(GC Brazil). Global Communities has full control of the entity's board of directors.

On November 4, 2014, Global Communities established a national society in Bogota, Colombia (Express Microfinanzas-SAS) to operate the Microcredit T1 Loan Program. The loan program was formerly a program administered by the Global Communities Colombia field office. The Society promotes microfinance in Bogota and urban areas and provides access to credit and financial services.

On January 25, 2015, Global Communities established a for profit microfinance company in Palestine (Vitas Palestine). In early 2015, all of Ryada assets (a loan program of Global Communities) were transferred to Vitas-Palestine which is currently registered with an authorized capital of \$14,453,744. Global Communities owns 97% of Vitas Palestine and Vitas Group owns the other 3%.

Ownership-Noncontrolling interest -

Global Communities owns 71% of Vitas Group and Bamboo Finance (formerly Blue Orchard) owns the other 29%. Accordingly, as of September 30, 2013, Global Communities owned 586,547 membership units and Bamboo Finance owned 146,637 membership units. Furthermore, during the year ended September 30, 2015 Vitas Group issued three additional subscriptions for a total of 220,268. As of September 2015 and 2014, Global Communities owned 678,151 and 586,547 membership units, respectively, and Bamboo owned 275,301 and 146,637 membership units, respectively. Vitas Palestine did receive one equity contribution for \$150 during the year ended September 30, 2015.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation -

The accompanying combined financial statements have been prepared on the accrual basis of accounting and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. All significant intercompany transactions between Global Communities and the Related Entities (together "Global Communities") have been eliminated in combination.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Global Communities' combined financial statements for the year ended September 30, 2014, from which the summarized information was derived.

The accompanying combined financial statements include the world-wide operations of Global Communities. At September 30, 2015, assets held in foreign countries totaled approximately \$211,500,000.

Income taxes -

Global Communities is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. Global Communities is not a private foundation as described in Section 509(a)(2) of the Internal Revenue Code. Global Communities is subject to unrelated business income taxes under Section 512 of the Internal Revenue Code.

The related entities located in Jordan (MEMCC) and Bosnia (LIDER) are registered (in each respective country) as tax-exempt organizations. ATAS-M is a registered for-profit entity in Lebanon (with the majority of operations in Iraq) and is subject to tax on any profit during the given fiscal year. ATAS-DE and Vitas Group are registered as for-profit limited liability corporations under the laws of the States of Delaware and Maryland, respectively, and file their income tax returns on the accrual basis of accounting. Under Subchapter K of the Internal Revenue Code, ATAS-DE and Vitas Group have elected not to be taxed as a corporation and the members have consented to include the profit or loss in their individual tax returns. CHF Management and consulting services (MCSE) is subject to income tax under the laws of the Arab Republic of Egypt. Global Communities Brasil ("GCB") is a civil association, governed by its Bylaws and the applicable legal provisions in Brazil. The association is exempted from income tax under Law 9532 / 97, amended by Law No. 9718, of 11/27/98. Vitas Palestine is subject to the local banking and microfinance sector regulations. The company is registered by the Palestinian Monetary Authority as a for profit Company and subject to local taxes. EMF - Express Microfinanzas S.A.S is a National Society duly registered with the Chamber of Commerce in Colombia subject to tax on any give profit during the given fiscal year.

Uncertain tax positions -

For the year ended September 30, 2015, Global Communities and related entities have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Fixed assets -

Fixed assets purchased by Global Communities with unrestricted funds (and with an acquisition value of \$10,000 or more) are stated at cost and are depreciated on the straight-line basis over their related estimated useful lives, generally three to five years.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets (continued) -

Fixed assets purchased with restricted funds are expensed and charged to the corresponding program. Leasehold improvements are recorded at cost and are amortized over the life of the lease. The cost of software, which has been capitalized, is being amortized over three years. Intangible assets are recorded at cost and amortized over their related estimated useful lives.

Grants and contributions -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Global Communities receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Investments -

Investments are recorded at their readily determinable fair value, with unrealized and realized gains and losses included in interest and investment income. Certain investments are valued at cost, as a readily obtainable fair value is undeterminable. Investments donated to Global Communities are recorded at fair value as of the date of donation.

Cash equivalents -

For financial statement purposes, Global Communities considers money market accounts and funds invested with local banks in foreign countries (see Note 2), including short-term certificates of deposit, to be cash equivalents (excluding money market funds held by investment managers in the amount of \$1,100,507) as of September 30, 2015.

Grants and contracts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Interest and accounts receivable -

Interest and accounts receivable is comprised of interest receivable, advances to staff, amounts due from suppliers, and commissions receivable. Interest and commissions receivable represent amounts due currently on loans and advances to customers as well as partner banks. All amounts are stated at fair value and considered fully collectible.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Foreign currency translation -

The dollar ("dollars") is the functional currency for Global Communities' worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in non-U.S. currencies are translated into dollars at the exchange rate in effect at the date of the Combined Statement of Financial Position.

In-kind contributions -

In-kind contributions consisted of donated skilled labor, materials, and donations from local donors/municipalities. The value of these contributions is recorded at their fair value as of the date the donations were provided.

Contributions of \$672,556, representing the fair value of the use of these goods and services, have been recorded as revenue and expenses in the accompanying combined financial statements for the year ended September 30, 2015. Global Communities also receives additional contributed services and materials (housing materials, supplies and tools) for which an estimate of the fair value is not determinable.

Additionally, Global Communities' programs are furthered through the contribution of land and buildings. Because the title does not vest with Global Communities, the value of these items are not reflected in the accompanying combined financial statements in accordance with accounting principles generally accepted in the United States of America.

Allocation of functional expenses -

The costs of providing program and supporting services have been summarized on a functional basis in the Combined Statement of Activities. Expenses that relate directly to a program or supporting service are charged to that program or supporting service. Certain supporting service expenses have been allocated among the programs benefited based on employee time records and ratios determined by management.

Use of estimates -

The preparation of the combined 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, disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowances for impairment -

Global Communities established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specified loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy -

Global Communities will write-off a loan (and any related allowance for impairment losses) when the Risk Committee determines that the loans and advances to the customer are uncollectible.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Write-off policy (continued) -

This determination is reached after considering information, such as the occurrence of significant changes in the borrower's financial position, such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product-specific past due status.

Collaterals -

Global Communities holds collaterals against loans to customers in the form of mortgage interest over property, other registered advances to customers over assets and guarantees. Estimates of value are based on the value of the collateral assessed at the time of borrowing and generally are not updated.

Changes in fair market value at various intervals is difficult to determine due to the fact that the loans made by Global Communities are generally short-term and the change in value of any collateral is negligible in relation to the term of the loan.

Collateral generally is not held over cash deposited with banks and other financial institutions.

Credit risk -

Credit risk is the risk of financial loss to Global Communities if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Global Communities' lending activity.

Global Communities takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired.

Significant changes in the economy, depreciation of local currencies against the currencies of the indexed portfolios, or in the health of a particular industry segment, could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, carefully monitors and manages its exposure to credit risk.

Market risk -

Market risk is defined as external influences, generally outside of the control of the organization's executive management, but which can be identified, assessed and mitigating actions put in place to reduce any adverse impact.

Interest rate risk -

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Global Communities takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a results of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Interest rate risk (continued) -

The loans receivable as well as notes payable are at fixed interest rates. The loans receivable mature much faster than the related borrowings, a fact that allows Global Communities to adjust the fixed interest of its receivables to market conditions. As part of its financing strategy, Global Communities also seeks to attract longer term, fixed-rate financing.

Currency risk -

Global Communities is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar (USD). There is also a statement of financial position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into USD's as a result of currency movements.

Operational environment risk -

The identification and valuation of investments influenced by the illiquid market conditions, the determination of compliance with debt agreements and other contract covenants, and the evaluation of significant uncertainties, including uncertainties associated with an entity's ability to continue as a going concern for a reasonable period of time, bring their own challenges. The effects of these on the financial markets have been seen in the form of volatility of the foreign exchange rates and an increase in the country's credit default swap.

The debtors of Global Communities and Related Entities may also be affected by the lower liquidity and solvency situations, which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for customers may also have an impact on the management of cash flow forecasts and assessments of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Management is unable to predict all development which could have an impact on the foreign financial institutions sector and, consequently, what effect, if any, they could have on these combined financial statements.

Liquidity risk -

Liquidity risk is the risk that a company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities. Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained. The average loan term is 12 months for Global Communities and Related Entities' share of the outstanding loan balance.

Fair value measurements -

Global Communities adopted the provisions of FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurements (continued) -

Global Communities accounts for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year combined financial statements have been reclassified to conform to the presentation of the current year's combined financial statements.

2. CONCENTRATION OF CREDIT RISK

At times, Global Communities maintains cash balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Global Communities maintains significant cash balances for short periods of time prior to transferring funds to its field offices. For additional protection of the funds in excess of FDIC limits, Global Communities opened sweep accounts to transfer the funds into U.S. Treasuries at the close of each business day.

Global Communities had approximately \$40,000,000 of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2015. The majority of funds invested in foreign countries are uninsured.

3. INVESTMENTS

Investments at September 30, 2015 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 1,100,507	\$ 1,100,507
Common stocks and mutual funds	34,445,907	34,091,979
U.S. Government obligations	1,797,762	1,795,391
Investment in Tanmyeh (Union Company of Micro Financiers in Jordan)	10,578	10,578
Investment in Pakistani microcredit institution	250,000	250,000
Investment in BOAFO (local microfinance institution in Ghana)	528,235	406,832
Investment in AMAL (local microfinance institution in Palestine)	<u>78,247</u>	<u>225,000</u>
TOTAL INVESTMENTS	<u>\$ 38,211,236</u>	<u>\$ 37,880,287</u>

During the year ended September 30, 2015, Global Communities recorded unrealized loss on its investments of \$2,202,699. The losses have been included in interest and investment income in the accompanying Combined Statement of Activities.

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. LOANS RECEIVABLE AND PROVISION FOR LOAN LOSSES

Loans receivable include loans made by Global Communities to financial institutions, who in turn lend these funds to low-income individuals or families in foreign countries for a variety of microfinance activities. Loans receivable also include loans made directly by Global Communities to individuals for similar purposes. These loans, the majority of which are at the prevailing market interest rates ranging between 0.67% and 5.58% per month, mature at various times over the next five years and are disbursed and repaid in either U.S. dollars or the local currency of the respective country.

Loans receivable, as of September 30, 2015, consisted of the following:

Loans receivable	\$ 178,605,005
Less: Allowance for bad debts	(4,245,422)
Less: Unearned revenue	<u>(7,373,633)</u>
NET LOANS RECEIVABLE	<u>\$ 166,985,950</u>

The following is a schedule of required principal receipts (due Global Communities) under the aforementioned loans:

Year Ending September 30,

2016	\$ 104,525,017
2017	32,079,058
2018	23,071,753
2019	8,685,101
2020	1,275,819
Thereafter	<u>1,594,624</u>
	<u>\$ 171,231,372</u>

During the year ended September 30, 2015, the total allowance for loan losses decreased by \$522,161. The total bad debt expense was \$1,261,302 (Global Communities only had a bad debt recovery of \$438,338) during the year ended September 30, 2015. During the year ended September 30, 2015, interest and fee income earned on loans receivable totaled approximately \$44,333,678 (\$18,840,222 for Global Communities only) and is included in interest and investment income in the accompanying financial statements.

5. NON-FEDERAL GRANTS AND CONTRACTS RECEIVABLE

As of September 30, 2015, contributors to Global Communities have made written promises to give of which \$30,261,709. remained outstanding as of fiscal year-end. As of September 30, 2015, non-federal grants and contracts are due as follows:

Less than one year	\$ 25,562,135
One to five years	<u>4,699,574</u>
NON-FEDERAL GRANTS AND CONTRACTS RECEIVABLE	<u>\$ 30,261,709</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

6. FIXED AND INTANGIBLE ASSETS

Furniture, equipment and leasehold improvements consisted of the following at September 30, 2015:

Furniture and fixtures	\$ 2,115,376
Computers and equipment	1,293,382
Vehicles	1,200,102
Leasehold improvements	<u>3,746,783</u>
	8,355,643
Less: Accumulated depreciation and amortization	<u>(4,193,306)</u>
	4,162,337
Net intangible assets	<u>308,608</u>
FIXED ASSETS, NET	<u>\$ 4,470,945</u>

Total depreciation and amortization expense for the year ended September 30, 2015 was \$693,420, of which \$202,561 was related to assets held by Global Communities and \$490,859 was related to assets held by the related entities.

7. CREDIT LINES

Global Communities has the following unsecured credit lines as of September 30, 2015:

Related Entities:

- On July 31, 2009, Global Communities (through its related entity in Jordan) entered into a revolving credit agreement with the Housing Bank for Trade and Finance to borrow up to 1,000,000 Jordanian dinars. Outstanding balances accrue interest of 9% per annum. The line of credit expires February 2017. 466,423
 - On July 3, 2008, Global Communities (through its related entity MEMCC Jordan) signed a loan contract with the Capital Bank to obtain a revolving loan for the total amount of one million Jordanian dinars renewable on yearly basis and a withdraw repayment term of 12 months. The interest rate is 8.75% and shall be paid plus the principal due on monthly basis. The purpose of this loan is to provide Global Communities (through its related entity MEMCC Jordan) with the funding needed for financing its lending operations. The line of credit expires July 2016 . 47,013
- \$ 513,436**

8. NOTES PAYABLE

As of September 30, 2015, Global Communities has outstanding notes payable aggregating \$119,053,150. The notes are due between October 1, 2015 and June 15, 2025. All notes payable are secured by Global Communities' loans receivable, unless otherwise noted.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Following is a list of all notes payable as of September 30, 2015:

Global Communities:

- On June 29, 2007, Global Communities entered into a loan agreement with Calvert Social Investment Foundation, which provided \$1,000,000 of loan capital for the original purpose of providing microcredit loans in Romania. The loan was amended in 2008, 2009, 2010 and 2011 to obtain additional borrowings. The loan bears interest of 4.8% per annum and, after it was extended on April 4, 2014 with borrowing additional \$2,000,000, matures on April 4, 2017. The funds are currently used in Iraq and Palestine. \$ 5,000,000
- On March 25, 2010, Global Communities International Access to Credit Services Initiative (ACSI) entered into an agreement with Kiva Microfunds, a California non-profit public benefit corporation to utilize its website to raise capital to make loans to local borrowers. The loans are non-interest bearing and may be terminated by either party upon a 30-day written notice. 38,796

Related Entities:

- On October 31, 2013, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$318,500 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.26% as of September 30, 2015) + 2.95% per annum and is due in full on October 31, 2015. 8,675
- On December 24, 2013, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$294,000 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.26% as of September 30, 2015) + 2.95% per annum and is due in full on December 24, 2015. 24,024
- On February 29, 2014, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$294,000 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.26% as of September 30, 2015) + 3.45% per annum and is due in full on February 28, 2016. 40,039
- On March 28, 2014, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$343,000 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.26% as of September 30, 2015) + 3.45% per annum and is due in full on March 28, 2016. 56,055

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On June 27, 2014, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$392,000 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.26% as of September 30, 2015) + 3.45% per annum and is due in full on June 27, 2016. \$ 96,094
- On July 28, 2014, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$392,000 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.26% as of September 30, 2015) + 3.45% per annum and is due in full on July 28, 2016. 106,771
- On August 28, 2014, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$392,000 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.26% as of September 30, 2015) + 2.95% per annum and is due in full on August 28, 2016. 117,448
- On September 30, 2014, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$395,000 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.26% as of September 30, 2015 + 2.95% per annum and is due in full on September 30, 2016. 128,125
- On October 23, 2014, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$97,566 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.41% as of September 30, 2015 + 2.95% per annum and is due in full on October 23, 2016. 34,701
- On October 23, 2014, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$195,131 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.41% as of September 30, 2015 + 1.75% per annum and is due in full on October 23, 2015. 10,677
- On October 30, 2014, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$489,105 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.41% as of September 30, 2015 + 2.95% per annum and is due in full on October 30, 2016. 173,503

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On November 28, 2014, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$323,303 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.32% as of September 30, 2015 + 1.70.% per annum and is due in full on May 28, 2016. \$ 99,653
- On November 26, 2014, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$277,502 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.26% as of September 30, 2015 + 1.70.% per annum and is due in full on June 26, 2016. 96,094
- On January 28, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$188,987 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.32% as of September 30, 2015 + 2.95% per annum and is due in full on January 28, 2017. 96,094
- On February 24, 2015, Express Microfinanzas entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$481,964 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.41% as of September 30, 2015 + 2.95% per annum and is due in full on February 24, 2017. 272,267
- On March 25, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$257,243 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.36% as of September 30, 2015 + 2.75% per annum and is due in full on March 25, 2017. 156,153
- On March 30, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$136,887 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.36% as of September 30, 2015 + 2.75% per annum and is due in full on March 30, 2017. 84,082
- On April 24, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$161,864 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.60% as of September 30, 2015 + 2.75% per annum and is due in full on April 24, 2017. 101,433

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On April 28, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$268,616 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.60% as of September 30, 2015 + 2.75% per annum and is due in full on April 28, 2017. \$ 164,828
- On May 20, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$161,587 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.40% as of September 30, 2015 + 3.45% per annum and is due in full on May 20, 2017. 106,771
- On May 27, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$330,380 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.40% as of September 30, 2015 + 2.75% per annum and is due in full on May 27, 2017. 224,220
- On June 25, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$200,650 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.28% as of September 30, 2015 + 2.75% per annum and is due in full on June 25, 2017. 144,341
- On June 27, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$193,415 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.28% as of September 30, 2015 + 2.75% per annum and is due in full on June 27, 2017. 140,137
- On July 27, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$279,969 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.58% as of September 30, 2015 + 2.75% per annum and is due in full on July 27, 2017. 234,897
- On August 28, 2015, Global Communities (though its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$250,354 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Terminado Fijo, 4.55% as of September 30, 2015 + 2.75% per annum and is due in full on August 28, 2017. 245,574

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On September 4, 2015, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$32,052 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.36% as of September 30, 2015 + 2.75% per annum and is due in full on September 4, 2017. \$ 32,031
- On September 25, 2015, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$382,754 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.36% as of September 30, 2015 + 2.75% per annum and is due in full on September 25, 2017. 384,376
- On September 30, 2015, Global Communities (through its related entity Express Microfinanzas) entered into a loan agreement with Bancoldex, which provided the US Dollar equivalent of \$96,094 in Colombian Pesos of loan capital for the purpose of providing microcredit loans in Colombia. The loan bears interest at a rate of DTF (Depósitos Termino Fijo, 4.36% as of September 30, 2015 + 2.75% per annum and is due in full on October 2, 2017. 96,094
- On December 12, 2013, Global Communities (through its related entity Vitas Jordan) obtained a loan from Triodos in the amount of JOD 705,000. The loan bears interest at a rate of 9.75% per annum and is due on January 1, 2016. The loan terms also require an up-front commission fee of 1% of the loan principal. 994,358
- On December 26, 2013, Global Communities (through its related entity Vitas Jordan) entered into two loan agreements with the Capital Bank, for JOD 700,000 each. The amounts are due in periodic payments through December 2015. The loans bear interest at a rate of 4.625% and 9.5% per annum, respectively. 1,320,169
- On March 1, 2014, Global Communities (through its related entity Vitas Jordan) obtained a revolving loan from the Cairo Amman Bank for JOD 1,000,000. Amounts are due 24 months from withdrawal and bear interest at a rate of 8.75% per annum. 887,585
- During 2014, Global Communities (through its related entity Vitas Jordan) entered into three loan agreements with SANAD, for \$1,000,000 each. The loans were granted on May 13, 2014, June 17, 2014 and September 25, 2014, respectively. The first two loans in the amount of \$1,000,000 each are due on April 5, 2016 and bear interest at a rate of 10% per annum. The third loan in the amount of \$1,000,000 is due on October 5, 2017 and bears interest at a rate of 9.6%. The loan terms also require an up-front commission fee of .5% of the loan principal. The fourth loan in the amount of \$1,750,000 is due on October 5, 2017 and bears interest at 9.6%. The loan terms also require an up-front commission fee of .5% of the loan principal 4,083,334

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On December 12, 2014, Global Communities (though its related entity Vitas Jordan) obtained a loan from Triodos in the amount of \$3,000,000. The loan bears interest at 9.5% per annum and is due on January 1, 2017. The loan terms also require an up-front commission fee of 0.5% of the loan principal. \$ 3,000,000
- On January 29, 2015, Global Communities (though its related entity Vitas Jordan) entered into a loan agreement with the Global Microfinance Fund for \$2,100,000. The loan bears interest at 8.25% per annum and is due on January 30, 2017. 2,100,000
- On January 29, 2015, Global Communities (though its related entity Vitas Jordan) entered into three loan agreements with SICAV (Lux) for \$400,000, \$250,000 and \$250,000, respectively. The three loans are due on January 30, 2017 and bear interest at 8.25% per annum. 900,000
- On May 1, 2015, Global Communities (though its related entity Vitas Jordan) obtained a revolving loan from the Al-Etihad Bank for JOD 2,000,000. Amounts are due 48 months from withdrawal and bear interest at 8.75% per annum. 2,700,048
- On September 28, 2015, Global Communities (though its related entity Vitas Jordan) entered into a loan agreement with the Global Microfinance Fund for \$900,000. The loan bears interest at 8.30% per annum and is due on September 28, 2017. 900,000
- On September 28, 2015, Global Communities (though its related entity Vitas Jordan) entered into three loan agreements with SICAV (Lux) for \$600,000, \$300,000 and \$200,000, respectively. The three loans are due on September 28, 2017 and bear interest at 8.30% annum. 1,100,000
- On April 15, 2009, Global Communities (through Vitas Group's subsidiary in Romania) entered in to a loan agreement with Overseas Private Investments Corporation (OPIC). The loan authorizes up to \$10 million in loans to be drawn in tranches no less than \$1 million each. The second tranche of \$2 million was issued on September 16, 2011. In June 2009, Global Communities (through Vitas Group's subsidiary in Romania) received the first tranche of \$2 million that bears a fixed interest rate of 5.54%. In September 2011, Global Communities (through Vitas Group's subsidiary in Romania) received the second tranche of \$2 million with a fixed interest rate of 3.88%. In September 2013, Global Communities (through Vitas Group's subsidiary in Romania) received a third tranche of \$1 million with a fixed interest rate of 3.77%. The tranches are repayable in ten (10) semi-annual equal installments commencing September 2013 through March 2018. On August 2015, the committed amount was decreased from \$10,000,000 to \$6,000,000. The commitment period ends on April 2016. 2,481,963

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On June 26, 2012, Global Communities (through Vitas Group's subsidiary in Romania) obtained a loan of Euro 500,000 from CoopEst Netherlands B.V. for the purpose of furthering its lending activities in Romania. The loan has a five year term and is repayable in one bullet installment in June 2017. The loan bears a variable interest rate equal to the six month Eurobor + 5%. \$ 563,110
- On February 14, 2013, Global Communities (through Vitas Group's subsidiary in Romania) obtained a loan of 2,400,000 of Romanian Lei (RON) from Ecumenical Development Cooperative Society U.A. ("Oikocredit") for the purpose of furthering its lending activities in Romania. The loan was disbursed in three tranches of RON 800,000 each and is repayable in seven equal installments on a semi-annual basis starting February 2014. The borrowing bears interest equal to the six month ROBOR rate plus 5.75%, but not lower than 8.75% per annum. 260,784
- On May 15, 2013, Global Communities (through Vitas Group's subsidiary in Romania) obtained loan of Euro 800,000 from CoopEst Netherlands B.V. for the purpose of furthering its lending activities in Romania. The loan is repayable in one bullet installment in December 2017. The loan bears a variable interest rate equal to the six month Eurobor + 4.75%, but not lower than 6.5% per annum and not higher than 9.0% per annum. 908,447
- During December 2013, Global Communities (through Vitas Group's subsidiary in Romania) obtained loan of Euro 500,000 from Bank Im Bistum Essen eG ("BIBEssen"). The loan is repayable in one bullet installment on December 2016 and bears a fixed interest rate of 7.6% per annum. 570,069
- During June 2014, Global Communities (through Vitas Group's subsidiary in Romania) obtained loan of Euro 500,000 from BlueOrchard Microfinance Fund. The loan is repayable in three installments on June 2015, December 2015 and June 2016. The loan bears interest at a rate of 6% per annum. 381,134
- During August 2014, Global Communities (through Vitas Group's subsidiary in Romania) obtained loan of Euro 500,000 from to Responsibility SICAV (Lux). The loan is repayable in two equal installments on August 2016 and August 2017 and bears interest at a rate of 6.1% per annum. 565,990
- In October 2014, Global Communities (through Vitas Group's subsidiary in Romania) obtained a facility of RON 8,840,000 from European Investment Fund to be drawn in maximum eight tranches and having a commitment period of two years. By September 201, RON 7,735,000 were disbursed. The loan is repayable in seven equal installments payable on a semi-annual basis commencing September 2016 through September 2019. The loan bears a fixed interest rate of 6.75% per annum. 1,942,387

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On March 28, 2013, Global Communities (through its related entity in Bosnia) obtained a loan of Euro 400,000 from Bank IM Bistum Essen for the purpose of furthering its lending activities in Bosnia. The loan bears interest of 8% per annum and is repayable in full on April 26, 2016. \$ 308,110
- On March 28, 2013, Global Communities (through its related entity in Bosnia) obtained loan of Euro 400,000 from Bank IM Bistum Essen for the purpose of furthering its lending activities in Bosnia. The loan bears interest of 8% per annum and is repayable in full on April 26, 2016. 308,110
- On July 19, 2013, Global Communities (through its related entity in Bosnia) obtained a loan of Euro 400,000 from Coopest Netherlands B.V. for the purpose of furthering its lending activities in Bosnia. The loan bears interest of 7.5% per annum and is repayable in full on December 31, 2017. 560,200
- On December 9, 2014, Global Communities (through its related entity in Bosnia) obtained a loan of Euro 500,000 from Coopest Netherlands B.V. for the purpose of furthering its lending activities in Bosnia. The loan bears interest of 7.5% per annum and is repayable in full on September 30, 2018. 560,200
- During August 2012, Global Communities (through its related entity Al Tamweel As Saree, LLC (ATAS-DE) entered into a loan agreement with the Overseas Private Investments Corporation (OPIC) that authorizes up to \$65,000,000 in loans to be drawn in tranches. In October 2012, ATAS-DE received the first tranche of \$30,000,000, that bears a fixed interest rate of 4.75%. In March 2013, ATAS-DE received the second tranche of \$6,000,000, with a fixed interest of 5.03%. In June 2013, ATAS-DE received the third tranche of \$6,000,000, with a fixed interest of 4.98%. In September 2013, ATAS-DE received a fourth tranche of \$3,000,000, with a fixed interest of 5.74%. In February 2014, ATAS-DE received a fifth tranche of \$920,000 with a fixed interest rate of 5.77%; and in May 2014, ATAS-DE received a sixth tranche of \$6,000,000 with a fixed interest rate of 5.52%. In January 2015, ATAS-DE received a sixth tranche of \$5,000,000 with a fixed interest rate of 4.80%. At the present time, the first payment is due December 30, 2017. The tranches are repayable in sixteen (16) semi-annual equal installments. 56,920,000
- On June 3, 2013, Global Communities (through its related entity in Jordan) obtained a loan of 1 million Jordanian dinars from Capital Bank for the purpose of furthering its lending activities in Jordan. The loan bears interest of 9.5% per annum and is repayable in full on July 1, 2016. 234,133
- On July 24, 2013, Global Communities (through its related entity in Jordan) signed a Loan Contract with the Egyptian Arab Land Bank to obtain a loan of 1 million Jordanian dinars for the purpose of furthering its lending activities in Jordan. The loan bears interest of 9.5% + 1% per annum and is payable on a monthly basis through August 30, 2016. 302,469

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- On July 31, 2013, Global Communities (through its related entity in Jordan) signed a Loan Contract with the Housing Bank for Trade and Finance to obtain a loan of 1 million Jordanian dinars for the purpose of furthering its lending activities in Jordan. The loan bears interest of 8.75% per annum and is payable on a monthly basis through December 1, 2016. \$ 463,305
- On September 1, 2013, Global Communities (through its related entity in Jordan) obtained loan of 1 million Jordanian dinars from Societe Generale De Banque Jordan (SGBJ) for the purpose of furthering its lending activities in Jordan. The loan bears interest of 6% + 1% per annum and is repayable monthly through March 31, 2017. 666,039
- On April 30 2014, Global Communities (through its related entity MEMCC Jordan) signed a loan Contract with the IFC FUND to obtain a loan for the total amount of \$2 Million. The interest rate is 12.12% and the loan is repayable in seven equal installments. The purpose of this loan is to provide Global Communities (through its related entity MEMCC Jordan) with the funding needed for financing its lending operations. The loan matures on May 21, 2017. 1,144,068
- On April 30 2014, Global Communities (through its related entity MEMCC Jordan) signed a loan Contract with the SGBJ Bank to obtain a loan for the total amount of 1 million Jordanian dinars and a withdraw repayment term of 36 months. The interest rate is 9% and shall be paid plus the principal due on monthly basis. The purpose of this loan is to provide Global Communities (through its related entity MEMCC Jordan) with the funding needed for financing its lending operations. The loan matures on April 30, 2017. 744,398
- On July 21, 2008, Global Communities (through Vitas Group's subsidiary in Lebanon) entered into a loan agreement with KIVA Microfunds to utilize its website to raise capital to make loans to local borrowers. The loans are non-interest bearing, and may be terminated by either party upon a 30-day written notice. 256,069
- During 2014, Global Communities (through Vitas Group's subsidiary in Lebanon) obtained three loans from local banks in the amount of \$3,316,750 each. As of September 30, 2014, amounts disbursed under the loans totaled \$9,950,250. The loans mature in various installments beginning in September 2016 through March 2022. The loans bear interest at a rate of 4.79% per annum. 9,950,250
- During the last three months of 2015, Global Communities (through Vitas Group's subsidiary in Lebanon) obtained financing from a financial fund, "SANAD for fund MSME, Luxembourg)" and signed a loan agreement totaling \$2,500,000 for three years ending October 2017. The loan bears interest at the rate of 5.85% per annum and principal payments are due (including accrued interest) on the 4th of April and the 4th of October each year until 2017. 1,979,459

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

8. NOTES PAYABLE (Continued)

Related Entities (Continued):

- During 2015, Global Communities (through Vitas Group's subsidiary in Lebanon) obtained two loans from local banks in the amount of \$3,316,750 each. As of September 30, 2015, amounts disbursed under the loans totaled \$6,633,436. The loans mature in various installments beginning in September 2016 through March 2022. The loans bear interest at 4.79% per annum. \$ 6,633,436
 - On July 10, 2008, Global Communities in Palestine entered into an agreement with Kiva Microfunds, a California non-profit benefit corporation, to utilize its website to raise capital to make loans to local borrowers. The loans are non-interest bearing and may be terminated by either party upon a 30-day written notice. The loan was assumed by the newly created related entity Vitas Palestine in January 2015. 349,573
 - On March 25, 2015, Global Communities (through its related entity Vitas Palestine) entered into an agreement with SANAD Fund for MSME which provided \$2,500,000 of loan capital for the purpose of providing microcredit loans in Palestine. The loan bears interest at a rate of 5.75% per annum and is due in full on April 5, 2018. 2,500,000
 - On July 1, 2015, Global Communities (through its related entity Vitas Palestine) entered into an agreement with Al Quds Bank which provided \$1,000,000 of loan capital for the purpose of providing microcredit loans in Palestine. The loan bears interest at a rate equal to six month labor +3%, currently 5% per annum and is due in full on October 22, 2018. 1,000,000
- \$119,053,150**

The following is a schedule of required principal payments due under the aforementioned loans:

Year Ending September 30,

2016	\$ 17,679,024
2017	23,104,013
2018	15,546,819
2019	11,575,645
2020	10,431,750
2021 and Thereafter	<u>40,715,899</u>
	<u>\$ 119,053,150</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted primarily of cash and cash equivalents, grants receivable and loans receivable (net of allowance for bad debts), received from governmental agencies, corporations and private foundations, for which donor-imposed restrictions have not been met. All temporarily restricted net assets at September 30, 2015 are to provide support for Global Communities' programs.

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. TEMPORARILY RESTRICTED NET ASSETS (Continued)

Following is a summary of temporarily restricted net assets at September 30, 2015:

Project Funds:

Brazil	\$ 2,260,764
Colombia	9,092,279
Ghana	24,822
Haiti	5,917,156
Honduras	13,905,924
India	1,010,458
Jordan	401,269
Kenya	1,274,929
Lebanon	1,184,683
Liberia	124,823
Malawi	834,227
Nepal	9,144
Palestine	3,403,865
Rwanda	66,978
South Sudan	219,298
Tanzania	883,233
Turkey-Syria	503,225
Yemen	265,849
Various headquarters projects	<u>2,269,925</u>

Project Funds Total **\$ 43,652,851**

Loan Capital:

Colombia	\$ 3,120,067
Jordan	333,333
Lebanon	333,333
Palestine	<u>1,170,096</u>

Loan Capital Total **\$ 4,956,829**

During the year ended September 30, 2015, temporarily restricted net assets of \$28,564,345 were released from restrictions by incurring programmatic expenses or through the passage of time, both satisfying Global Communities's donor-imposed restrictions. Following is a summary of net assets released from restrictions, by country program, for the year ended September 30, 2015:

Project Funds:

Brazil	\$ 630,741
Colombia	6,105,379
Ghana	796,898
Haiti	7,544,071
Honduras	3,563,442
India	620,491
Jordan	391,722
Kenya	994,105
Lebanon	2,642,390
Liberia	50,392
Malawi	351,312
Nepal	323
Nicaragua	90,893
Palestine	2,081,481
Rwanda	399,114
South Sudan	1,988
Tanzania	440,905
Turkey-Syria	1,227,666
Yemen	445,926
Various headquarters projects	<u>185,106</u>

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS **\$ 28,564,345**

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

10. RETIREMENT PLANS

Defined contribution plan -

Global Communities sponsors a defined contribution plan (profit-sharing plan) that covers all current employees who have completed one year of service. Contributions to the plan are discretionary and are determined each year by the management of Global Communities. The plan has a four-year graduated vesting schedule. In addition, Global Communities has also adopted a Safe Harbor Plan that contributes 3% of total compensation to each employees account that is vested immediately.

Deferred compensation plan -

Global Communities also has a deferred compensation plan for certain key staff. Amounts contributed are vested immediately.

During the year ended September 30, 2015, total retirement plan expense aggregated approximately \$845,000.

11. COMMITMENTS

On November 6, 2014, Global Communities entered into a 156-month lease agreement for office space. The lease commences on April 1, 2015 and includes a 2.5% annual lease payment escalation. The lease agreement also stipulates that Global Communities will be obligated to pay a proportionate share of the building's operating expenses and real estate taxes.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the combined Statement of Financial Position .

Global Communities is also obligated under several non-cancelable leases for office equipment and vehicles. The following is a schedule of future minimum payments required under these non-cancelable operating leases as of September 30, 2015:

The following is a schedule of future minimum payments required as of September 30, 2015:

Year Ending September 30.

2016	\$ 334,532
2017	850,813
2018	867,829
2019	885,185
2020	902,947
Thereafter	<u>7,375,462</u>
	<u>\$ 11,216,768</u>

Total rent expense under long-term lease commitments for the year ended September 30, 2015 was approximately \$985,000.

Global Communities also leases office space in numerous foreign countries under short-term lease agreements. Total rent expense under short-term lease agreements for the year ended September 30, 2015 was approximately \$2,350,000.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

12. CONTINGENCIES

United States Government funding -

Global Communities receives grants, cooperative agreements and contracts from various agencies of the United States government. Such awards are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under these awards is based upon the allowance of costs reported to and accepted by the United States government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2015.

Until such audits have been accepted by the United States government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign operations -

Global Communities provides capital assistance and technical assistance in numerous third world countries through its field offices and related entities in each of those countries. Global Communities also maintains cash accounts as well as loan portfolios in several of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate.

As of September 30, 2015, Global Communities had cash, property and equipment and loans receivable in various countries in the Middle East, Eastern Europe, Africa, Asia and Central and South America, totaling approximately \$211,500,000, which represents approximately 71% of Global Communities' total assets as of September 30, 2015.

13. ECONOMIC DEPENDENCY

Approximately 63% of Global Communities's total revenue and support, excluding in-kind contributions for the year ended September 30, 2015 was derived from grants and contracts awarded directly by the United States Federal Government or from pass-through entities, excluding loan capital. Global Communities has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect Global Communities's ability to finance ongoing operations.

14. FUTURE COMMITMENTS FROM THE U.S. GOVERNMENT

Global Communities receives a significant amount of its funding from various agencies of the United States Government.

As of September 30, 2015, Global Communities has outstanding commitments from these agencies for future years totaling approximately \$202,000,000, of which the agencies have obligated, but Global Communities has not drawn down, approximately \$100,000,000. Such amounts have not been included in the accompanying combined financial statements.

15. SUPPLEMENTAL CASH FLOW INFORMATION

The Combined Statement of Cash Flows classifies changes in cash according to operating, investing and financing activities.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2015

15. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

The following is supplementary information relating to the Combined Statement of Cash Flows:

Interest Paid - Global Communities International	\$ <u>2,895,909</u>
Interest Paid - Related Entities	\$ <u>3,077,808</u>
Taxes Paid - Related Entities	\$ <u>866,252</u>

16. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Global Communities has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Global Communities has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2015.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government obligations* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Other investments* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by an external valuation expert and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

16. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, Global Communities' investments as of September 30, 2015:

Asset Category:	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,100,507	\$ -	\$ -	\$ 1,100,507
Common stocks and mutual funds	34,445,907	-	-	34,445,907
U.S. Government obligations	1,797,762	-	-	1,797,762
Other investments:				
Investment in Tanmyeh (Union Company of Micro Financiers in Jordan)	-	-	10,578	10,578
Investment in Pakistani microcredit institution	-	-	250,000	250,000
Investment in BOAFO (local microfinance institution in Ghana)	-	-	528,235	528,235
Investment in AMAL (local microfinance institution in Palestine)	-	-	78,247	78,247
TOTAL	\$ 37,344,176	\$ -	\$ 867,060	\$ 38,211,236

Level 3 Financial Assets

The following table provides a summary of changes in fair value of Global Communities's financial assets for the year ended September 30, 2015:

	Investments
Beginning balance as of October 1, 2014	\$ 853,104
Net unrealized gain on investment	<u>13,956</u>
BALANCE AS OF SEPTEMBER 30, 2015	<u>\$ 867,060</u>

17. CHANGE IN ACCOUNTING POLICY

Global Communities has changed its revenue recognition accounting policy effective October 1, 2014. Global Communities started recognizing interest on an accrual basis taking into account the loans' outstanding at the end of each month instead of recognizing full interest up front upon disbursement of loans. Accordingly, management has made a cumulative adjustment as of September 30, 2013, and restated its prior year financial statements as a result of the change in accounting policy as follows:

	Balance as Previously Stated	Balance as Restated
Net Assets at September 30, 2013	\$ 152,179,972	\$ 145,811,242
Loans receivable	\$ 158,278,821	\$ 151,175,406
Interest and investment income	\$ 25,031,368	\$ 24,296,683
Unrestricted Net Assets at September 30, 2014:		
Global Communities	\$ 77,952,785	\$ 70,849,370
Total	\$ 108,439,353	\$ 101,335,938
Total Net Assets at September 30, 2014	\$ 154,031,229	\$ 146,927,814

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

18. SUBSEQUENT EVENTS

In preparing these combined financial statements, Global Communities has evaluated events and transactions for potential recognition or disclosure through March 16, 2016, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

GLOBAL COMMUNITIES AND RELATED ENTITIES

SCHEDULE OF FUNCTIONAL EXPENSES WITHOUT RELATED ENTITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Technical Assistance</u>	<u>Capital Assistance</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and wages	\$ 4,954,076	\$ 1,225,205	\$ 9,429,869	\$ 15,609,150
Fringe benefits	1,430,698	353,829	2,739,803	4,524,330
Local salaries and fringe	19,817,937	8,193,243	523,363	28,534,543
Other allowances	1,580,238	176,402	208,615	1,965,255
Printing and production	114,366	33,469	96,715	244,550
Professional fees	688,716	218,282	627,837	1,534,835
Occupancy	1,853,989	819,421	1,178,080	3,851,490
Security costs	332,726	1,132,732	-	1,465,458
Insurance	693,203	103,126	181,652	977,981
Depreciation and amortization	-	66,122	136,439	202,561
Telecommunications	453,351	32,183	274,462	759,996
Travel	2,425,355	410,141	1,055,147	3,890,643
Consulting fees	1,617,885	126,404	919,796	2,664,085
Postage and delivery	96,385	34,706	55,676	186,767
Repairs and maintenance	276,441	126,394	452,585	855,420
Supplies	655,037	165,180	88,115	908,332
Dues, subscriptions and publications	80,776	10,258	252,932	343,966
Conferences	189,614	44,909	322,786	557,309
In-kind equipment and materials	598,396	-	-	598,396
In-kind professional fees	74,160	-	-	74,160
Interest expense	-	2,895,909	-	2,895,909
Equipment purchase and rental	5,132,847	547,299	616,947	6,297,093
Temporary help	291,360	12,135	225,939	529,434
Contracts	14,203,108	173,283	62,787	14,439,178
Assistance awards, not subject to OH	36,097,794	-	-	36,097,794
Assistance awards, subject to OH	2,169,818	-	-	2,169,818
Vehicle purchase and expense	8,988,433	63,380	12,296	9,064,109
Office operating expense	852	10,309	30,187	41,348
Participant training	9,178,402	21,761	13,543	9,213,706
Staff training and development	95,935	28,221	153,201	277,357
Construction expense and materials	5,689,257	-	618	5,689,875
Bad debt expense/recovery	-	(438,338)	-	(438,338)
Other	794,448	413,292	290,187	1,497,927
TOTAL	<u>\$ 120,575,603</u>	<u>\$ 16,999,257</u>	<u>\$ 19,949,577</u>	<u>\$ 157,524,437</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015

Related Entities

	Related Entities										Subtotal	Eliminations	TOTAL
	Global Communities	LIDER	ATAS-M	MEMCC	Vitas Group	ATAS-DE	MCSE	GC Brazil	Vitas Palestine	Express Microfinanzas - Colombia			
ASSETS													
Cash and cash equivalents	\$ 33,978,915	\$ 384,444	\$ 215,637	\$ 1,941,968	\$ 12,103,440	\$ 774,317	\$ 44,980	\$ 9,246	\$ 2,040,087	\$ 68,739	\$ 51,561,773	\$ -	\$ 51,561,773
Investments	69,945,324	-	-	3,410,578	433,333	-	-	-	-	-	73,789,235	(35,577,999)	38,211,236
Loans receivable, net of allowance	8,830,384	7,248,802	-	17,509,619	52,860,072	53,612,284	-	-	20,228,597	6,696,192	166,985,950	-	166,985,950
Federal grants and contracts receivable	3,741,806	-	-	-	-	-	-	-	-	-	3,741,806	-	3,741,806
Non-Federal grants and contracts receivable	30,261,709	-	-	-	-	-	-	-	-	-	30,261,709	-	30,261,709
Interest and accounts receivable	363,447	6,817	2,524	333,152	1,357,729	-	1,480	-	120,339	220,829	2,406,317	(13,872)	2,392,445
Intracompany receivables	32,854,166	-	-	-	-	-	-	-	-	-	32,854,166	(32,854,166)	-
Intercompany receivables	5,411,512	-	-	-	15,133	10,516,806	-	1,074	-	-	15,944,525	(15,944,525)	-
Prepaid expenses and other assets	1,490,617	19,812	37,193	183,275	100,338	-	5,407	-	37,377	-	1,874,019	-	1,874,019
Furniture, equipment and leasehold improvements, net	2,526,454	111,741	136,114	1,067,597	422,446	-	3,990	-	123,107	79,496	4,470,945	-	4,470,945
Security deposits	277,625	-	-	-	-	-	9,868	-	50,000	-	337,493	-	337,493
TOTAL ASSETS	\$ 189,681,959	\$ 7,771,616	\$ 391,468	\$ 24,446,189	\$ 67,292,491	\$ 64,903,407	\$ 65,725	\$ 10,320	\$ 22,599,507	\$ 7,065,256	\$ 384,227,938	\$ (84,390,562)	\$ 299,837,376
LIABILITIES													
Credit lines	\$ -	\$ -	\$ -	\$ 513,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 513,436	\$ -	\$ 513,436
Notes payable	5,038,796	1,736,620	-	3,554,412	44,478,592	56,920,000	-	-	3,849,572	3,475,158	119,053,150	-	119,053,150
Accounts payable and accrued expenses	4,213,808	43,894	58,579	635,425	1,669,313	767,906	4,879	505	565,346	232,111	8,191,766	56,603	8,248,369
Intracompany payables	32,854,166	-	-	-	-	-	-	-	-	-	32,854,166	(32,854,166)	-
Intercompany payables	10,601,243	4,762	174,367	1,405,999	1,112,194	-	48,025	6,000	2,660,963	1,447	16,015,000	(16,015,000)	-
Accrued salaries and benefits	7,778,573	11,425	20,822	-	250,000	-	1,477	3,815	519,014	74,436	8,659,562	-	8,659,562
Deferred revenue	1,914,145	-	-	-	-	-	-	-	-	-	1,914,145	-	1,914,145
Deferred rent	2,064,235	-	-	-	-	-	-	-	-	-	2,064,235	-	2,064,235
Total liabilities	64,464,966	1,796,701	253,768	6,109,272	47,510,099	57,687,906	54,381	10,320	7,594,895	3,783,152	189,265,460	(48,812,563)	140,452,897
NET ASSETS													
Unrestricted	76,607,313	5,974,915	137,700	18,336,917	16,056,271	7,215,501	11,344	-	15,004,612	3,282,104	142,626,677	(31,851,878)	110,774,799
Noncontrolling interest	-	-	-	-	3,726,121	-	-	-	-	-	3,726,121	(3,726,121)	-
Temporarily restricted	48,609,680	-	-	-	-	-	-	-	-	-	48,609,680	-	48,609,680
Total net assets	125,216,993	5,974,915	137,700	18,336,917	19,782,392	7,215,501	11,344	-	15,004,612	3,282,104	194,962,478	(35,577,999)	159,384,479
TOTAL LIABILITIES AND NET ASSETS	\$ 189,681,959	\$ 7,771,616	\$ 391,468	\$ 24,446,189	\$ 67,292,491	\$ 64,903,407	\$ 65,725	\$ 10,320	\$ 22,599,507	\$ 7,065,256	\$ 384,227,938	\$ (84,390,562)	\$ 299,837,376

**Cash and cash equivalents for MEMCC, MCSE and GC Brazil were adjusted against intercompany accounts for cash in transit.

GLOBAL COMMUNITIES AND RELATED ENTITIES

COMBINING SCHEDULE OF ACTIVITIES
AS OF SEPTEMBER 30, 2015

	Related Entities											Related Entity Subtotal	TOTAL
	Global Communities	LIDER	ATAS-M	MEMCC	Vitas Group	ATAS-DE	MCSE	GC Brazil	Vitas Palestine	Express Microfinance - Colombia	Eliminations		
REVENUE AND SUPPORT													
Grants and contributions	\$ 128,868,573	\$ -	\$ -	\$ -	560,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 560,455	\$ 129,429,028
Contracts	16,078,772	-	-	-	-	-	173,283	-	-	-	(173,283)	-	16,078,772
In-kind contributions	672,556	-	-	-	-	-	-	-	-	-	-	-	672,556
Interest and investment income	18,009,540	1,434,895	780	-	11,959,014	11,987,638	-	2,836	2,049,541	2,411,882	(11,991,254)	17,855,332	35,864,872
Commission income	-	171,098	-	321,018	2,178,066	3,110,839	-	-	481,216	516,711	(3,110,839)	3,668,109	3,668,109
Other income	3,005,351	39,914	846,497	8,283,570	53,196	-	-	253,426	36,902	176,471	(1,099,923)	8,590,053	11,595,404
Total Revenue and Support	166,634,792	1,645,907	847,277	8,604,588	14,750,731	15,098,477	173,283	256,262	2,567,659	3,105,064	(16,375,299)	30,673,949	197,308,741
EXPENSES	157,859,045	2,441,000	847,277	7,283,512	12,815,443	14,174,951	175,040	256,262	2,016,791	4,633,458	(15,451,773)	29,191,961	187,051,006
CHANGE IN NET ASSETS/ NET INCOME (LOSS)	\$ 8,775,747	\$ (795,093)	\$ -	\$ 1,321,076	\$ 1,935,288	\$ 923,526	\$ (1,757)	\$ -	\$ 550,868	\$ (1,528,394)	\$ (923,526)	\$ 1,481,988	\$ 10,257,735

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Related Entities										Subtotal	Eliminations	TOTAL
	Global Communities	LIDER	ATAS-M	MEMCC	Vitas Group	ATAS-DE	MCSE	GC Brazil	Vitas Palestine	Express Microfinanzas - Colombia			
UNRESTRICTED:													
Beginning of year net assets, as restated	\$ 70,849,370	\$ 6,770,008	\$ 137,700	\$ 17,015,841	\$ 12,003,301	\$ 6,291,975	\$ 13,101	\$ -	\$ -	\$ -	\$ 113,081,296	\$ (11,745,358)	\$ 101,335,938
Proceeds from investment	-	-	-	-	-	-	-	-	14,020,261	4,810,498	18,830,759	(18,830,759)	-
Minority interest equity contribution	-	-	-	-	1,930,000	-	-	-	433,483	-	2,363,483	(2,363,333)	150
Proceeds from issuance of units	-	-	-	-	3,913,803	-	-	-	-	-	3,913,803	(1,715,023)	2,198,780
Change in net assets	5,757,943	(795,093)	-	1,321,076	1,935,288	923,526	(1,757)	-	550,868	(1,528,394)	8,163,457	(923,526)	7,239,931
END OF YEAR NET ASSETS	\$ 76,607,313	\$ 5,974,915	\$ 137,700	\$ 18,336,917	\$ 19,782,392	\$ 7,215,501	\$ 11,344	\$ -	\$ 15,004,612	\$ 3,282,104	\$ 146,352,798	\$ (35,577,999)	\$ 110,774,799
TEMPORARILY RESTRICTED:													
Beginning of year net assets	\$ 45,591,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,591,876	\$ -	\$ 45,591,876
Change in net assets	3,017,804	-	-	-	-	-	-	\$ -	-	-	3,017,804	-	3,017,804
END OF YEAR NET ASSETS	\$ 48,609,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,609,680	\$ -	\$ 48,609,680
TOTAL:													
Beginning of year net assets, as restated	\$ 116,441,246	\$ 6,770,008	\$ 137,700	\$ 17,015,841	\$ 12,003,301	\$ 6,291,975	\$ 13,101	\$ -	\$ -	\$ -	\$ 158,673,172	\$ (11,745,358)	\$ 146,927,814
Proceeds from investment	-	-	-	-	-	-	-	-	14,020,261	4,810,498	18,830,759	(18,830,759)	-
Minority interest equity contribution	-	-	-	-	1,930,000	-	-	-	433,483	-	2,363,483	(2,363,333)	150
Proceeds from issuance of units	-	-	-	-	3,913,803	-	-	-	-	-	3,913,803	(1,715,023)	2,198,780
Change in net assets	8,775,747	(795,093)	-	1,321,076	1,935,288	923,526	(1,757)	\$ -	550,868	(1,528,394)	11,181,261	(923,526)	10,257,735
END OF YEAR NET ASSETS	\$ 125,216,993	\$ 5,974,915	\$ 137,700	\$ 18,336,917	\$ 19,782,392	\$ 7,215,501	\$ 11,344	\$ -	\$ 15,004,612	\$ 3,282,104	\$ 194,962,478	\$ (35,577,999)	\$ 159,384,479