



Mennonite Central Committee

YEARS ENDED
MARCH 31, 2023 AND 2022



**BROWN SCHULTZ
SHERIDAN & FRITZ**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

YEARS ENDED MARCH 31, 2023 AND 2022

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Independent Auditor's Report

Members
Mennonite Central Committee U.S.
Akron, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Mennonite Central Committee U.S. and subsidiaries (nonprofit organizations) (the Organization), which comprise the consolidated statements of financial position as of March 31, 2023 and 2022 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mennonite Central Committee U.S. and subsidiaries as of March 31, 2023 and 2022 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Brown Schultz Steidman & Fritz

Lancaster, Pennsylvania
August 9, 2023

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents:		
Cash	\$ 3,502,846	\$ 4,696,800
Cash equivalents in investment accounts	1,818,103	219,694
Cash in overseas accounts or held by agents	<u>1,032,337</u>	<u>831,730</u>
Total cash and cash equivalents	6,353,286	5,748,224
Accounts receivable, trade and others, net	559,382	138,309
Grants receivable	2,166,628	1,604,113
Inventory	3,912,028	3,918,858
Prepaid expenses	689,616	469,211
Investments	61,984,880	60,423,555
Loan receivable	1,943,621	2,655,085
Interest in MASP reserve	536,575	809,236
Beneficial interest in perpetual trusts	334,195	376,454
Property and equipment, net of accumulated depreciation	6,347,385	5,208,637
Operating lease right-of-use assets, net of amortization	<u>188,313</u>	
Total assets	<u>\$ 85,015,909</u>	<u>\$ 81,351,682</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Payables:		
Trade and others	\$ 1,345,186	\$ 1,414,244
Service workers	630,464	577,318
Accrued salaries and benefits	897,421	1,157,459
Deferred income	2,500	6,440
Lease liabilities	<u>233,676</u>	<u>15,886</u>
Total liabilities	<u>3,109,247</u>	<u>3,171,347</u>
Net assets:		
Without donor restrictions:		
Designated by Mennonite Central Committee	34,094,378	31,014,490
Undesignated	<u>37,068,365</u>	<u>38,211,261</u>
Total without donor restrictions	71,162,743	69,225,751
With donor restrictions	<u>10,743,919</u>	<u>8,954,584</u>
Total net assets	<u>81,906,662</u>	<u>78,180,335</u>
Total liabilities and net assets	<u>\$ 85,015,909</u>	<u>\$ 81,351,682</u>

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2023 AND 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contributions	\$ 31,654,120	\$ 10,127,061	\$ 41,781,181	\$ 29,469,611	\$ 9,134,655	\$ 38,604,266
Grants		1,473,162	1,473,162	972,182		972,182
Investment earnings (losses)	(3,277,856)	(42,259)	(3,320,115)	1,276,697	20,263	1,296,960
Other program and miscellaneous	2,039,744		2,039,744	1,844,666		1,844,666
Gain on extinguishment of debt				1,480,018		1,480,018
Material resources donated in-kind	5,406,309		5,406,309	4,546,198		4,546,198
Net assets released from restrictions	9,768,629	(9,768,629)	-	6,817,426	(6,817,426)	-
Total revenue	45,590,946	1,789,335	47,380,281	46,406,798	2,337,492	48,744,290
Expenses:						
Programs:						
Disaster relief	12,868,437		12,868,437	8,276,690		8,276,690
Justice and peacebuilding	6,843,597		6,843,597	5,644,403		5,644,403
Sustainable community development	15,693,575		15,693,575	14,404,377		14,404,377
Total program expenses	35,405,609		35,405,609	28,325,470		28,325,470
General administration	5,440,758		5,440,758	4,386,114		4,386,114
Fundraising	2,807,587		2,807,587	2,811,067		2,811,067
Total expenses	43,653,954		43,653,954	35,522,651		35,522,651
Change in net assets	1,936,992	1,789,335	3,726,327	10,884,147	2,337,492	13,221,639
Net assets:						
Beginning of year	69,225,751	8,954,584	78,180,335	58,341,604	6,617,092	64,958,696
End of year	\$ 71,162,743	\$ 10,743,919	\$ 81,906,662	\$ 69,225,751	\$ 8,954,584	\$ 78,180,335

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2023

2023	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fundraising	Total expenses
Salaries and benefits	\$ 3,158,232	\$ 3,852,291	\$ 5,875,577	\$ 3,622,907	\$ 2,147,826	\$ 18,656,833
Travel	299,575	505,284	810,704	358,383	38,252	2,012,198
Grants	3,867,009	1,296,884	4,832,187		8,465	10,004,545
Freight	404,361		126,795			531,156
Occupancy	212,849	172,200	368,670	249,558	15,783	1,019,060
Supplies	989,514	57,296	428,846	337,923	14,455	1,828,034
Communications	55,631	57,817	145,342	108,976	104,719	472,485
Meetings and seminars	75,131	417,339	390,059	100,875	12,760	996,164
Professional fees	123,874	100,742	226,817	154,777	31,672	637,882
Other	766,518	383,744	647,352	507,359	433,655	2,738,628
Material resources donated in-kind	2,915,743		1,841,226			4,756,969
Total	\$ 12,868,437	\$ 6,843,597	\$ 15,693,575	\$ 5,440,758	\$ 2,807,587	\$ 43,653,954

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2022

2022	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fundraising	Total expenses
Salaries and benefits	\$ 2,403,876	\$ 3,302,942	\$ 5,945,997	\$ 2,995,035	\$ 1,962,391	\$ 16,610,241
Travel	159,415	271,788	519,469	136,610	17,593	1,104,875
Grants	2,060,948	1,052,428	4,293,488		4,000	7,410,864
Freight	282,692		97,701			380,393
Occupancy	239,859	191,432	373,584	21,099	160,668	986,642
Supplies	657,497	70,784	413,352	151,142	8,783	1,301,558
Communications	49,540	64,770	157,501	66,628	151,341	489,780
Meetings and seminars	52,931	322,531	160,295	63,585	13,320	612,662
Professional fees	87,241	81,810	179,833	251,190	46,488	646,562
Other	500,266	285,918	580,260	700,825	446,483	2,513,752
Material resources donated in-kind	1,782,425		1,682,897			3,465,322
Total	\$ 8,276,690	\$ 5,644,403	\$ 14,404,377	\$ 4,386,114	\$ 2,811,067	\$ 35,522,651

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 3,726,327	\$ 13,221,639
Adjustments:		
Depreciation	775,004	804,505
Unrealized loss on investments	4,082,761	946,123
Realized (gain) loss on investments	395,592	(1,423,692)
Gain on:		
Disposal of property and equipment	(38,278)	(25,070)
Extinguishment of debt		(1,480,018)
Foreign exchange rate gains	(88,679)	(51,291)
Operating lease right-of-use assets, net of amortization	41,625	
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, trade and others	(421,073)	77,472
Grants receivable	(562,515)	(59,998)
Inventory	6,830	(1,076,016)
Prepaid expenses	(220,405)	(111,046)
Loan receivable	711,464	191,279
Interest in MASP reserve	272,661	119,632
Beneficial interest in perpetual trusts	42,259	17,094
Increase (decrease) in:		
Payables:		
Trade and others	(69,058)	199,246
Service workers	53,146	91,866
Accrued salaries and benefits	(260,038)	151,027
Deferred income	(3,940)	6,115
Total adjustments	4,717,356	(1,622,772)
Net cash provided by operating activities	8,443,683	11,598,867
Cash flows from investing activities:		
Proceeds from sale of:		
Property and equipment	78,704	34,222
Investments	32,635,849	18,066,401
Purchases of:		
Investments	(38,675,527)	(30,537,402)
Property and equipment	(1,954,178)	(705,034)
Net cash used in investing activities	(7,915,152)	(13,141,813)

(continued)

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MARCH 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from financing activities:		
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ 88,679	\$ 51,291
Repayment of lease liabilities	<u>(12,148)</u>	<u>(17,742)</u>
Net cash provided by financing activities	<u>76,531</u>	<u>33,549</u>
Net increase (decrease) in cash and cash equivalents	605,062	(1,509,397)
Cash and cash equivalents:		
Beginning of year	<u>5,748,224</u>	<u>7,257,621</u>
Ending of year	<u>\$ 6,353,286</u>	<u>\$ 5,748,224</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 2,814	\$ 3,514
Noncash financing activities:		
During 2022, the Organization received forgiveness of its Paycheck Protection Program (PPP) loan of \$1,480,018.		

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

1. Nature of the Organization and summary of significant accounting policies:

Nature of the Organization:

Mennonite Central Committee U.S. (MCC U.S. or the Organization), a worldwide ministry of Anabaptist churches, shares God's love and compassion for all in the name of Christ by responding to basic human needs and working for peace and justice. MCC U.S. envisions communities worldwide in the right relationship with God, one another and creation. MCC U.S. is governed by its board of directors which is appointed primarily by participating church denominations and MCC U.S. regional boards of directors.

The financial statements include the accounts of MCC U.S., a Pennsylvania nonprofit corporation, as well as the following controlled corporations: Mennonite Central Committee East Coast (MCC East Coast), a Pennsylvania nonprofit corporation; Mennonite Central Committee Central States, Inc. (MCC Central States), a Kansas nonprofit corporation; Mennonite Central Committee Great Lakes, Inc. (MCC Great Lakes), an Indiana nonprofit corporation and West Coast Mennonite Central Committee, Inc. (West Coast MCC), a California nonprofit corporation. As described below, the financial statements also include the Organization's share of assets, liabilities and activities of the international operations as outlined by the covenant between MCC U.S. and Mennonite Central Committee Canada (MCCC). All material interorganizational transactions and balances have been eliminated.

MCCC and MCC U.S. entered into a covenant to share the operations and all related assets, including property, relationships, reputation, knowledge, experience and supporting systems of the MCC international programs (internally referred to as International Program). It is intended that the share that each national entity owns under this arrangement in each country program will be an undivided share.

Both MCCC and MCC U.S. have agreed to collaborate and work together in the operation of the International Program so that it will be seen as one integrated MCC International Program. This commitment does not preclude either entity from agreeing occasionally to fund and manage on its own an entire project or an entire country program. In addition to the international program, MCCC and MCC U.S. agreed to resource and manage other programs on a shared basis.

Much of the Organization's support comes from a variety of generous individuals and churches. MCC U.S. is strongly supported by Mennonite, Brethren in Christ and Amish communities of faith, as well as by many churches and individuals who are not Anabaptist. MCC U.S. thrift shops and relief sales, included in contributions, together provided approximately 26% (\$12,518,678) and 20% (\$9,897,715) of the Organization's total revenue for the years ended March 31, 2023 and 2022, respectively. Volunteer-initiated events from bike rides to bake sales provide consistent ongoing financial support. Gifts-in-kind include donations of items such as school, relief and health kits, blankets and other material aid.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

1. Nature of the Organization and summary of significant accounting policies (continued):

Basis of presentation:

Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities in up to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions - are those not restricted by donors, the donor-imposed restrictions have expired or subject to self-imposed limits by action of the board.

Net assets with donor restrictions - are those subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Cash and cash equivalents:

For purposes of the statements of cash flows, all repurchase agreements and other highly liquid investments, including money market mutual funds and government agency securities with maturities of three months or less when purchased, as well as variable rate demand notes, are considered to be cash equivalents. All cash equivalents held in investment accounts are Level 1 measurements.

Receivables:

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no valuation allowance recorded at March 31, 2023, and the valuation allowance totaled \$18,000 at March 31, 2022.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

1. Nature of the Organization and summary of significant accounting policies (continued):

Receivables:

Receivables consisted of the following at December 31:

	Accounts receivable, trade and others, net		Grants receivable	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 138,309	\$ 215,781	\$ 1,604,113	\$ 1,544,115
End of year	559,382	138,309	2,166,628	1,604,113

Inventory valuation:

Inventories of material resources donated in-kind are valued at the lower of cost or net realizable value which approximates fair value at the time of donation.

Foreign currency:

The statements of financial position reflect foreign accounts in the U.S. dollar equivalent using the rate of exchange at year end. Contributions and expenses are converted using the average exchange rate in the month of the transaction. The amount of foreign exchange gain included in the statements of activities was \$88,679 for the year ended March 31, 2023. The amount of foreign exchange gain included in the statements of activities was \$51,291 for the year ended March 31, 2022.

Investments:

Investments are carried at fair value. Unrealized gains and losses are included in the change in net assets.

Endowments:

The Organization's endowments consist of individual funds established for a variety of purposes. Its endowments include funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization may annually spend up to 4% of the average market value of the fund for the previous five years, using June 30 valuations, unless otherwise restricted by the donor.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

1. Nature of the Organization and summary of significant accounting policies (continued):

Endowments:

The Organization has interpreted the Pennsylvania Uniform Principal and Income Act and Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the receipt date of the donor-restricted endowment funds, to the extent that there are no donor stipulations to the contrary. The Organization classifies the original value of gifts donated to the endowments that are perpetual in nature and the original value of subsequent gifts made to the endowments as with donor restrictions. The earnings of the donor-restricted endowment funds are classified as without donor restrictions.

Property and equipment:

Property and equipment are stated at cost. Expenditures that significantly extend the useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is computed primarily by the straight-line depreciation method at rates based on estimated service lives.

Donations of property and equipment, including related contributed labor and services, are recorded as contributions at their fair value. Such donations are reported as contributions without donor restrictions, unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Leases:

The Organization categorizes leases at their inception as either operating or finance leases. Lease agreements cover real estate, vehicles and equipment. Operating leases are included in operating lease right-of-use assets and lease liabilities in the statements of financial position. Finance leases are included in property, plant and equipment, net and lease liabilities in the statements of financial position.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

1. Nature of the Organization and summary of significant accounting policies (continued):

Leases:

Leased assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The Organization combines and accounts for lease and non-lease components as a single lease component for leases of real estate, vehicles and equipment. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization used a risk-free Treasury rate as the discount rate for present value of lease payments, as the discount rates implicit in the Organization's leases cannot be readily determined. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain variable payments dependent upon an index or rate, nor any material residual value guarantees or material restrictive covenants. Leases that have a term of 12 months or less upon commencement date are considered short-term in nature. Accordingly, short-term leases are not included on the statements of financial position and are expensed on a straight-line basis over the lease term, which commences on the date the Organization has the right to control the property. See Notes 2 and 16 for more information.

Revenue recognition:

The Organization's primary sources of revenues are contributions and grants from individuals, foundations and businesses.

Contributions are considered non-exchange transactions and are recognized when received. Contributions received are recorded as support without donor restrictions, unless they are restricted by donor-imposed stipulations. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. For restricted contributions where the restrictions are satisfied in the same period as receipt of contributions, the Organization reports these contributions as support without donor restrictions.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

1. Nature of the Organization and summary of significant accounting policies (continued):

Revenue recognition:

The Organization receives grants from various parties. Some of the grants are reimbursement based. The Organization will perform the work outlined in the agreements and then submit for reimbursement for the costs incurred to fulfill the performance obligations outlined in the agreements. The Organization recognizes revenue at the point in time when the performance obligation is met. Other grants are received and specified to be used in a particular time period or for a particular project. This grant revenue is reported as support without donor restrictions, unless the funds are received with grantor stipulations that limit the use of the grant funds. When stipulations of use exist, the grant revenue is reported as support with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Other program and miscellaneous revenue are included as other revenue and are recognized at a point in time or over time based on the nature of the transaction.

Contributed nonfinancial assets:

MCC U.S. records gifts of meat, clothing, bedding and other donated items as contributions in the accompanying statements of activities at their estimated fair value on the date received.

Donated services are reflected in the financial statements at the fair value of the services received. Donated services are recognized as contributions in accordance with generally accepted accounting principles (GAAP), if the services received: (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition, the Organization receives a significant amount of donated services from unpaid volunteers who assist in program and fundraising activities. For the years ended March 31, 2023 and 2022, no amounts for the value of these services have been recognized in the statements of activities because the criteria for recognition under GAAP have not been satisfied.

Functional expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated generally based on payroll or actual cost for each program and supporting service benefited.

The significant classifications included in other expenses are promotion, insurance, memberships, staff development, amortization and other classifications.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

1. Nature of the Organization and summary of significant accounting policies (continued):

Income taxes:

The Organization has been recognized as corporations exempt from United States federal income taxes under Section 501(c)(3) of the IRC. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

Retirement plan:

The Organization sponsors a defined contribution plan that covers salaried employees after six months of employment, domestic service workers after two years of service and international service workers after three years of service. The Organization contributes an amount equal to 7% of the employee's eligible compensation. For employees who were active members of the Organization's pension plan on December 31, 1991, and who have continued service without interruption, MCC U.S.'s contributions will be 10% of salary during employment years in which workers are 50 years old or older. Contributions to the plan for the years ended March 31, 2023 and 2022 totaled \$1,232,476 and \$1,099,912, respectively.

Estimates:

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most sensitive accounting estimates affecting the financial statements are; fair value of donated inventory, investments valued by management, accrual for self-funded employee healthcare costs and the Organization's share of the Mutual Aid Sharing Program (MASP) net assets available for benefits, depreciation of property and equipment, functional allocation of indirect expenses, and allowance for loans receivable.

Recently issued accounting standards:

Financial instruments, credit losses:

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization will be required to use a forward-looking expected credit loss model for accounts receivables, loans and other financial instruments. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The standard will be effective for the Organization beginning April 1, 2023. The Organization is currently evaluating the impacts of adopting this guidance on its financial position, activities and cash flows.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

2. Adoption of new accounting pronouncements:

Leases:

In February 2016, the FASB (Financial Accounting Standards Board) issued ASU No. 2016-02, *Leases*, which replaces the former guidance with ASC-842, *Leases*. The core principle of ASC 842 is that any entity should recognize an asset and related liability for leases longer than one year to depict the transfer of promised rights and obligations in an amount that reflects the consideration to which the entity expects to be entitled. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of leases and cash flows arising from contracts. For contracts existing at the time of adoption, the Organization elected to not reassess (i) whether any are or contain leases, (ii) lease classification and (iii) initial direct costs.

Effective April 1, 2022, the Organization adopted ASU 2016-02 using the modified retrospective method and did not adjust comparative prior periods. The primary impact of the adoption resulted in the recognition of a discounted lease liability of \$139,458 and a corresponding right-of-use asset of \$170,480 for vehicles, office space and office equipment, as well as enhanced disclosures. See Notes 1 and 16 for more information.

Contributed nonfinancial assets:

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets to be a separate line item in the statement of activities and enhanced disclosures. The required disclosures include a disaggregation of the amount of contributed nonfinancial assets recognized in the statement of activities by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets: 1) qualitative information regarding utilization or monetization of the contributed nonfinancial assets, 2) the programs or activities the contributed nonfinancial assets were utilized for, 3) the entity's policy for monetizing rather than utilizing contributed nonfinancial assets (if applicable), 4) a description of any donor-imposed restrictions on the nonfinancial assets, 5) a description of the valuation techniques and inputs used to arrive at the fair market value assigned to the contributed nonfinancial assets and 6) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset.

Effective April 1, 2022, the Organization adopted ASU 2020-07 using the full retrospective method. Contributed nonfinancial assets are presented on the statement of activities as "Material resources donated in-kind". See Note 11.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

3. Cash and cash equivalents:

MCC U.S. maintains several bank accounts which may at times exceed the federally insured limits. At March 31, 2023, the amount of deposits in cash held at various banks exceeded the Federal Deposit Insurance Corporation (FDIC) limit by approximately \$2,820,000. The Organization has experienced no losses related to uninsured balances. Cash in overseas accounts or held by agents and cash equivalents in investment accounts are not federally insured.

The Securities Investor Protection Corporation (SIPC) insures securities in brokerage accounts up to \$500,000, limited to \$250,000 in cash. At March 31, 2023, the amount of cash and cash equivalents held in brokerage accounts exceeded the SIPC limit by approximately \$1,316,000.

4. Financial assets and liquidity resources:

As of March 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, payments on notes payable and purchases of property and equipment were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents (1)	\$ 5,472,053	\$ 5,692,025
Investments (1)	36,994,117	37,795,799
Receivables:		
Trade	559,382	138,309
Grant	2,166,628	1,604,113
Current portion loans	141,991	100,118
	<u>45,334,171</u>	<u>45,330,364</u>
Total financial assets available within one year	45,334,171	45,330,364
Net assets with donor restrictions (1)	(6,956,712)	(5,136,197)
Net assets without donor restrictions, board designated	<u>(10,482,040)</u>	<u>(11,640,957)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 27,895,419</u>	<u>\$ 28,553,210</u>

(1) Excluding amounts held for endowment and beneficial interests in third-party trusts.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations become due.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

4. Financial assets and liquidity resources (continued):

To manage unanticipated liquidity needs, MCC U.S. maintains a \$3,000,000 line of credit with a bank that can be drawn upon as needed during the year to manage cash flows. MCC U.S. had no draws on the line of credit in 2023 or 2022.

5. Grants receivable:

Unconditional grants receivable of \$2,166,628 and \$1,604,113 were due as of March 31, 2023 and March 31, 2022, respectively.

6. Loans receivable:

Loans are extended to thrift shops to help finance construction. Payment terms on the loans generally vary from several months to ten years, and interest rates vary from interest free to prime minus 1%. For larger loans receivable, collateral includes the properties owned by the thrift shop. Management believes the loans will be collected.

7. Investment valuation and investments:

Investments for which market prices are readily available (common stock) are valued by reference to quoted market prices.

Investments for which market prices are not readily available include fixed income securities (U.S. government bonds, corporate and municipal bonds) and other investments. The fixed income securities are valued by the broker using a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to calculate an estimated market value.

These methodologies are consistent with methodologies previously used to value investments.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

7. Investment valuation and investments (continued):

FASB ASC 820 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of the fair value measurements. ASC 820 also establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset. Observable inputs reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available in the circumstances. The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Quoted prices in active markets for identical investment

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments). The Organization does not hold any Level 3 investments as of March 31, 2023 or 2022.

The Beneficial interest in perpetual trusts are included in Level 2 on the following fair value table and are reported separately from Investments on the Consolidated Statements of Financial Position. The fair values of investments measured on a recurring basis at March 31, 2023 and 2022 were as follows:

Valuation inputs	Investment in securities	
	2023	2022
Level 1 - Quoted prices	\$ 31,808,352	\$ 31,629,361
Level 2 - Other significant observable inputs	30,510,723	29,170,648
	<u>\$ 62,319,075</u>	<u>\$ 60,800,009</u>

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

7. Investment valuation and investments (continued):

Investments were comprised of the following:

	2023		2022	
	Cost	Carrying value	Cost	Carrying value
Investments held:				
Common stock	\$ 16,776,136	\$ 16,932,659	\$ 16,324,261	\$ 18,124,023
Corporate and municipal bonds	20,422,501	19,162,772	20,163,452	19,324,370
Other	884,623	898,686	281,199	347,406
	<u>38,083,260</u>	<u>36,994,117</u>	<u>36,768,912</u>	<u>37,795,799</u>
Endowment funds held:				
Common stock	14,499,756	14,875,693	11,460,788	13,505,338
Corporate and municipal bonds	9,054,235	8,457,920	9,065,659	8,667,795
Other	1,675,935	1,657,150	372,908	454,623
	<u>25,229,926</u>	<u>24,990,763</u>	<u>20,899,355</u>	<u>22,627,756</u>
	<u>\$ 63,313,186</u>	<u>\$ 61,984,880</u>	<u>\$ 57,668,267</u>	<u>\$ 60,423,555</u>

The following schedule summarizes the investment earnings and its classification in the statements of activities for the years ended March 31, 2023 and 2022:

	2023	2022
Interest, dividends and expenses	\$ 1,158,238	\$ 819,391
Realized gain (loss)	(395,592)	1,423,692
Unrealized losses	(4,082,761)	(946,123)
	<u>\$ (3,320,115)</u>	<u>\$ 1,296,960</u>

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

8. Property and equipment:

Property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land and buildings	\$ 11,046,182	\$ 10,996,340
Construction in progress	1,398,263	42,185
Furniture and equipment	2,305,081	2,482,771
Vehicles	<u>1,943,376</u>	<u>2,060,452</u>
	16,692,902	15,581,748
Accumulated depreciation	<u>10,345,517</u>	<u>10,373,111</u>
Total property and equipment	<u><u>\$ 6,347,385</u></u>	<u><u>\$ 5,208,637</u></u>

Depreciation charged to expense during the years ended March 31, 2023 and 2022 totaled \$775,004 and \$804,505, respectively.

9. Line of credit:

The Organization has a \$3,000,000 line of credit with Fulton Bank. The line is secured by the assets held in an investment account managed by Fulton Financial Advisors. Interest is calculated at London Interbank Offered Rate (LIBOR) plus 2.25%, which was 4.86% at March 31, 2023 or an interest rate floor of 4%. There were no borrowings on the line of credit at March 31, 2023.

10. Paycheck Protection Program loan:

In April 2020, the Organization secured and received funding totaling \$1,480,018 from the Paycheck Protection Program, a government program authorizing loans to small businesses to cover payroll costs, rent and utility costs over an eight-week period. The loan might have become due if the Organization used funds for anything besides these costs or did not incur enough of the qualified costs. In the fiscal year ended March 31, 2022, the Organization received forgiveness for the full balance of the funding received and, as such, has recorded \$1,480,018 as grant income in the March 31, 2022 consolidated statement of activities.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

11. Contributed nonfinancial assets:

Contributed nonfinancial assets of material resources included in the financial statements were as follows for the year ended March 31:

	<u>2023</u>	<u>2022</u>
	Total, all without donor restriction	Total, all without donor restriction
Canned meat	\$ 1,745,117	\$ 1,058,103
Grocery bags	62,500	56,040
Health kits	415,189	304,368
Medical supplies	26,887	26,173
Relief kits	752,054	580,775
School kits	633,024	504,185
Clothing	276,989	163,216
Bedding	1,238,234	772,462
Supplies	256,315	1,080,876
	<u>\$ 5,406,309</u>	<u>\$ 4,546,198</u>

The Organization did not monetize any contributed nonfinancial assets and distributes the assets as part of its program services.

12. Beneficial interest in perpetual trusts:

MCC U.S. is an income beneficiary of several perpetual trusts held by third parties. Under the terms of these trusts, MCC U.S. has the irrevocable right to receive the income earned on the trust assets in perpetuity. The beneficial interest in perpetual trusts is reflected as net assets with donor restrictions on the accompanying statements of financial position and is valued at fair value using quoted market prices. Changes in value for the period are recognized as an element of the change in net assets with donor restrictions. Perpetual trusts are included as Level 2 investments in Note 7.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

13. Net assets with donor restrictions:

Net assets with donor restrictions included the following at March 31:

	2023	2022
Endowment funds	\$ 3,453,012	\$ 3,441,933
Beneficial interests in third-party trusts	334,195	376,454
Time restrictions	1,313,353	1,045,130
Program restrictions	5,643,359	4,091,067
	<u>\$ 10,743,919</u>	<u>\$ 8,954,584</u>

Endowment fund:

The long-term objective of the endowment fund is to pursue a set of objectives designed to maximize the returns of the endowment fund without exposing it to undue risk. In order to meet its goals, the investment strategy of the endowment fund is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income. The objective shall be achieved by investing in a mix of cash equivalents, fixed income instruments and equity securities that meet the investment strategy. The objective may also be achieved by use of alternative investment that meets the investment strategy.

Investment strategies employed by the managers shall conserve and enhance the capital value of the endowment fund in real terms through asset appreciation and income generation, while maintaining an appropriate investment risk profile.

In order to achieve its objectives for its assets, the endowment fund will experience volatility of returns and fluctuations of market value. A level of volatility similar to a comparable market index is deemed acceptable in order to achieve the investment objectives of the endowment fund.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

13. Net assets with donor restrictions (continued):

Endowment fund:

Changes in endowment-related activities for the years ended 2023 and 2022 were as follows:

	Without donor restrictions (board designated)	With donor restrictions	Total
April 1, 2021	\$ 12,302,550	\$ 3,534,722	\$ 15,837,272
Net investment income	489,734	(218,590)	271,144
Contributions	6,581,249	125,801	6,707,050
March 31, 2022	19,373,533	3,441,933	22,815,466
Net investment income	(1,418,600)		(1,418,600)
Contributions	5,657,405	11,079	5,668,484
March 31, 2023	<u>\$ 23,612,338</u>	<u>\$ 3,453,012</u>	<u>\$ 27,065,350</u>

Net assets released from restrictions were as follows:

	2023	2022
Released from:		
Time restrictions expired	\$ 795,368	\$ 590,575
Program restrictions, other international activities	8,973,261	6,226,851
	<u>\$ 9,768,629</u>	<u>\$ 6,817,426</u>

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

14. Net assets without donor restrictions:

Net assets without donor restrictions consist of amounts which are applied to long-term assets, reserved by the MCC U.S. board for special purposes and available for operations. Net assets without donor restrictions are summarized as follows:

	<u>2023</u>	<u>2022</u>
Applied to long-term assets, invested in property and equipment	\$ 6,347,385	\$ 5,208,637
Other unrestricted	<u>30,720,980</u>	<u>33,002,624</u>
	<u>37,068,365</u>	<u>38,211,261</u>
Reserved by board action (not available for current operations):		
Board-designated endowments	23,612,338	19,373,533
Capital reserve	4,482,040	5,640,957
Ten Thousand Villages reserve	<u>6,000,000</u>	<u>6,000,000</u>
	<u>34,094,378</u>	<u>31,014,490</u>
Total net assets without donor restrictions	<u><u>\$ 71,162,743</u></u>	<u><u>\$ 69,225,751</u></u>

15. MASP employee healthcare assistance benefit program:

The Organization participates in a self-funded employee healthcare assistance benefit program, MASP. The MASP is a not-for-profit employee benefit plan whereby mission and service agencies of the Anabaptist Community share with each other the cost of providing healthcare assistance and death benefits to their employees.

Under the MASP, the Organization is responsible for claims up to the retention of \$40,000 per person (retained claims). Claims in excess of the retention up to \$250,000 will be pooled with the other agencies. Claims in excess of the retention and the \$250,000 are reinsured by a stop loss policy that covers all MASP agencies. The stop loss reinsurance defines a claim as the total medical claims per individual per MASP fiscal year (October 1 through September 30). The Organization has expensed its retained claims and its monthly payments to the MASP for its expected share of pooled claims and administrative costs, including stop loss premiums. The payments include the actuarially projected amount to cover claims that exceed the agency retention up to \$250,000. The actual amount may differ from this estimate based on the Organization's and pooled agencies' actual experience.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

15. MASP employee healthcare assistance benefit program (continued):

The MASP maintains a reserve fund, which can be drawn upon in the event of a large single claim or a series of large claims or if the MASP chooses to allocate a portion of the reserve fund to lower the aggregate shared claims limit. Claims are expensed as incurred. The Organization has determined its estimated share of the reserve fund to be \$536,575 and \$809,236 at March 31, 2023 and 2022, respectively.

16. Leases:

The Organization has several noncancelable lease agreements for vehicles and real estate.

The assets and liabilities related to operating and finance leases, and the associated financial statement line items, as of March 31, 2023 and 2022 were as follows:

<u>Lease-related assets and liabilities</u>	<u>Financial statement line items</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Right-of-use assets:			
Operating leases	Operating lease right-of-use assets, net of amortization	\$ 188,313	
Finance leases	Property, plant and equipment, net	<u>77,722</u>	<u>\$ 52,271</u>
Total right-of-use assets		<u>\$ 266,035</u>	<u>\$ 52,271</u>
Lease liabilities:			
Operating leases	Lease liabilities	\$ 188,313	
Finance leases	Lease liabilities	<u>45,363</u>	<u>\$ 15,886</u>
Total lease liabilities		<u>\$ 233,676</u>	<u>\$ 15,886</u>

Rent expense totaled \$82,071 and \$174,135 for the years ended March 31, 2023 and 2022, respectively.

The weighted-average discount rate and lease term assumptions used in determining the liability for the year ended March 31, 2023 were as follows:

Weighted-average remaining lease term:	
Operating leases	3.40 years
Finance leases	3.76 years
Weighted-average discount rate:	
Operating leases	3.50 %
Finance leases	5.30 %

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

16. Leases (continued):

Future minimum lease payments under these noncancelable lease agreements (with initial or remaining lease terms in excess of one year) as of March 31, 2023 are as follows:

	Operating leases	Finance leases	Total	International program
2024	\$ 87,663	\$ 15,368	\$ 103,031	\$ 51,430
2025	38,542	11,964	50,506	34,450
2026	27,000	10,436	37,436	23,764
2027	27,000	10,436	37,436	1,524
2028	20,250	402	20,652	
Total future undiscounted lease payments	200,455	48,606	249,061	<u>\$ 111,168</u>
Less imputed interest	<u>12,142</u>	<u>3,243</u>	<u>15,385</u>	
Total lease liabilities	<u>\$ 188,313</u>	<u>\$ 45,363</u>	<u>\$ 233,676</u>	

17. Related parties:

The Organization is named in Ten Thousand Villages' (TTV) adopted restated bylaws effective October 29, 2016, whereby the number of MCC U.S. appointed representatives shall at all times be one (1) less than a majority of the then current number of directors of TTV.

TTV has entered into an agreement with the Organization, whereby the Organization guarantees TTV's bank line of credit and mortgage loans, which were entered into in January 2017. The Organization is committed to the sustainable livelihoods of artisans who produce the TTV's products, as well as the long-term stewardship of their constituency's investment in significant amounts of volunteer and financial resources in support of the ministries of the Organization and TTV.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

17. Related parties (continued):

As of March 31, 2023, MCC U.S. is contingently liable, as guarantor, with respect to \$6,816,954 of indebtedness of TTV. At any time, should TTV fail to pay debt payments when due, MCC U.S. will be obligated to perform under the guarantee by primarily making the required payments, including late fees and penalties. The maximum potential amount of future payments that the Organization is required to make under the guarantee is \$10,169,265. The Organization's guarantee is secured by two properties that were appraised at a combined value of \$8,800,000 during the most recent appraisal, as well as being secured by the inventory and personal property of TTV. The Organization feels that the guarantee on the loan is substantially secure with these properties. TTV is current with their debt payments at March 31, 2023. As of February 2018, TTV has consented to the execution of a contingent mortgage to secure its obligation to MCC U.S. arising from MCC U.S.'s guarantee of payment or performance of TTV's obligations to Fulton Bank. Subsequent to March 31, 2023, MCC U.S. was released from the guarantee. See Note 20 for more information.

TTV has reimbursed MCC U.S. for various operating expenses throughout the year. There were no amounts due from TTV at March 31, 2023 and \$2,361 was due from TTV at March 31, 2022.

There were no amounts payable to MCC Canada at March 31, 2023 and \$23,254 was payable to MCC Canada at March 31, 2022. This balance was included in accounts payable.

18. Foreign assets and liabilities:

Foreign assets and liabilities consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,032,337	\$ 825,297
Accounts receivable	77,058	39,722
Grant receivable	799,579	589,055
Prepaid expenses	329,131	154,593
Property and equipment, net	564,042	490,952
Payables and accrued benefits	1,168,869	1,110,057

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

19. Domestic and international program expenses:

Domestic and international program expenses consisted of the following:

	2023			2022		
	Domestic program	International program	Total program	Domestic program	International program	Total program
Salaries and benefits	\$ 4,699,922	\$ 8,186,178	\$ 12,886,100	\$ 3,968,084	\$ 7,684,731	\$ 11,652,815
Travel	467,651	1,147,912	1,615,563	195,433	755,239	950,672
Grants	763,310	9,232,770	9,996,080	481,346	6,925,518	7,406,864
Freight	81,668	449,488	531,156	51,268	329,125	380,393
Occupancy	269,363	484,356	753,719	290,992	513,883	804,875
Supplies	855,571	620,085	1,475,656	628,914	512,719	1,141,633
Communications	54,691	204,099	258,790	57,877	213,934	271,811
Meetings and seminars	223,293	659,236	882,529	97,946	437,811	535,757
Professional fees	39,098	412,335	451,433	42,892	305,992	348,884
Other	710,107	1,087,507	1,797,614	515,905	850,539	1,366,444
Material resources donated in-kind		4,756,969	4,756,969	160,988	3,304,334	3,465,322
Total	\$ 8,164,674	\$ 27,240,935	\$ 35,405,609	\$ 6,491,645	\$ 21,833,825	\$ 28,325,470
Total expenses by priority						
	Domestic program	International program	Total program	Domestic program	International program	Total program
Disaster relief	\$ 2,873,275	\$ 9,995,162	\$ 12,868,437	\$ 1,945,733	\$ 6,330,957	\$ 8,276,690
Justice and peacebuilding	2,094,540	4,749,057	6,843,597	1,688,107	3,956,296	5,644,403
Sustainable community development	3,196,859	12,496,716	15,693,575	2,857,805	11,546,572	14,404,377
Total	\$ 8,164,674	\$ 27,240,935	\$ 35,405,609	\$ 6,491,645	\$ 21,833,825	\$ 28,325,470

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2023 AND 2022

20. Subsequent events:

MCC U.S. has evaluated subsequent events through August 9, 2023, the date which the financial statements were available to be issued.

As of March 31, 2023, MCC U.S. was contingently liable, as guarantor, with respect to \$6,816,954 of indebtedness of TTV (See Note 17). The MCC U.S. guarantee was secured by mortgages on two TTV properties, as well as liens on the inventory and personal property of TTV. On July 18, 2023, TTV sold one of its properties. The proceeds of that sale were sufficient for TTV to pay off all debts to the bank which held the debt secured by the properties, and MCC U.S. was released from all guarantees of the TTV debt. As a result of the release of the MCC U.S. guarantees, MCC U.S. terminated all mortgages on and security interests it held in TTV property.

Independent Auditor's Report on Consolidating Information

Members
Mennonite Central Committee U.S.
Akron, Pennsylvania

We have audited the consolidated financial statements of Mennonite Central Committee U.S. and subsidiaries as of and for the years ended March 31, 2023 and 2022, and our report thereon dated August 9, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the consolidating statements of financial position and the consolidating statements of activities are presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brown Schultz Sheridan & Fritz

Lancaster, Pennsylvania
August 9, 2023

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

(See independent accountant's report on supplementary information)

	ASSETS						Total
	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Eliminations	
Cash and cash equivalents:							
Cash	\$ 3,372,783		\$ 71,629	\$ 21,858	\$ 36,576		\$ 3,502,846
Cash equivalents in investment accounts	1,690,036	\$ 68,954	1,378	56,688	1,047		1,818,103
Cash in overseas accounts or held by agents	1,032,337						1,032,337
Total cash and cash equivalents	6,095,156	68,954	73,007	78,546	37,623		6,353,286
Accounts receivable, trade and others, net	550,157	85	1,912	7,228			559,382
Due from related entity		3,102,262	1,344,088	1,520,850	1,347,040	\$ (7,314,240)	-
Grants receivable	2,166,628						2,166,628
Inventory	3,822,400				89,628		3,912,028
Prepaid expenses	660,697	4,309	19,360	4,900	350		689,616
Investments	57,437,532	2,000,200	621,782	1,568,801	356,565		61,984,880
Loan receivable	1,643,621			300,000			1,943,621
Interest in MASP reserve	536,575						536,575
Beneficial interest in perpetual trusts	334,195						334,195
Property and equipment, net	3,817,574	579,714	1,361,913	291,379	296,805		6,347,385
Operating lease right-of-use assets, net of amortization	35,133	35,901		117,279			188,313
Total assets	\$ 77,099,668	\$ 5,791,425	\$ 3,422,062	\$ 3,888,983	\$ 2,128,011	\$ (7,314,240)	\$ 85,015,909

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

(See independent accountant's report on supplementary information)

LIABILITIES AND NET ASSETS

	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Eliminations	Total
Liabilities:							
Payables:							
Trade and others	\$ 1,197,803	\$ 2,891	\$ 108,985	\$ 20,925	\$ 14,582		\$ 1,345,186
Service workers	630,464						630,464
Due to related entity	7,314,240					\$ (7,314,240)	-
Accrued salaries and benefits	520,122	144,442	73,536	91,609	67,712		897,421
Deferred income				2,500			2,500
Lease liabilities	40,681	75,716		117,279			233,676
Total liabilities	9,703,310	223,049	182,521	232,313	82,294	(7,314,240)	3,109,247
Net assets:							
Without donor restrictions:							
Designated by Mennonite Central Committee	34,094,378						34,094,378
Undesignated	23,318,717	5,339,452	2,988,589	3,441,979	1,979,628		37,068,365
Total without donor restrictions	57,413,095	5,339,452	2,988,589	3,441,979	1,979,628		71,162,743
With donor restrictions	9,983,263	228,924	250,952	214,691	66,089		10,743,919
Total net assets	67,396,358	5,568,376	3,239,541	3,656,670	2,045,717		81,906,662
Total liabilities and net assets	\$ 77,099,668	\$ 5,791,425	\$ 3,422,062	\$ 3,888,983	\$ 2,128,011	\$ (7,314,240)	\$ 85,015,909

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022

(See independent accountant's report on supplementary information)

	ASSETS						Total
	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Eliminations	
Cash and cash equivalents:							
Cash	\$ 4,123,549	\$ 400,439	\$ 71,718	\$ 52,976	\$ 48,118		\$ 4,696,800
Cash equivalents in investment accounts	207,943	3,383	820	6,916	632		219,694
Cash in overseas accounts or held by agents	825,297			6,433			831,730
Total cash and cash equivalents	5,156,789	403,822	72,538	66,325	48,750		5,748,224
Accounts receivable, trade and others, net	125,705	212	4,067	8,325			138,309
Due from related entity		2,783,141	1,808,267	2,114,778	1,411,571	\$ (8,117,757)	-
Grants receivable	1,604,113						1,604,113
Inventory	3,615,739				303,119		3,918,858
Prepaid expenses	437,313	9,908	17,300	3,550	1,140		469,211
Investments	56,433,230	1,850,371	435,535	1,481,688	222,731		60,423,555
Loans receivable	2,555,085			100,000			2,655,085
Interest in MASP reserve	809,236						809,236
Beneficial interest in perpetual trusts	376,454						376,454
Property and equipment, net	3,547,895	563,310	643,139	260,229	194,064		5,208,637
Total assets	\$ 74,661,559	\$ 5,610,764	\$ 2,980,846	\$ 4,034,895	\$ 2,181,375	\$ (8,117,757)	\$ 81,351,682

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022

(See independent accountant's report on supplementary information)

LIABILITIES AND NET ASSETS

	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Eliminations	Total
Liabilities:							
Payables:							
Trade and others	\$ 1,238,507	\$ 17,903	\$ 90,031	\$ 41,900	\$ 25,903		\$ 1,414,244
Service workers	577,318						577,318
Due to related entity	8,117,757					\$ (8,117,757)	-
Accrued salaries and benefits	676,220	195,891	96,733	112,264	76,351		1,157,459
Deferred income	6,440						6,440
Capital lease liability	15,886						15,886
Total liabilities	10,632,128	213,794	186,764	154,164	102,254	(8,117,757)	3,171,347
Net assets:							
Without donor restrictions:							
Designated by Mennonite Central Committee	31,014,490						31,014,490
Undesignated	24,844,986	5,171,925	2,531,133	3,648,676	2,014,541		38,211,261
Total without donor restrictions	55,859,476	5,171,925	2,531,133	3,648,676	2,014,541		69,225,751
With donor restrictions	8,169,955	225,045	262,949	232,055	64,580		8,954,584
Total net assets	64,029,431	5,396,970	2,794,082	3,880,731	2,079,121		78,180,335
Total liabilities and net assets	\$ 74,661,559	\$ 5,610,764	\$ 2,980,846	\$ 4,034,895	\$ 2,181,375	\$ (8,117,757)	\$ 81,351,682

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2023

(See independent accountant's report on supplementary information)

	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Total
Activities without donor restrictions:						
Revenue:						
Contributions	\$ 23,311,223	\$ 2,991,980	\$ 1,911,641	\$ 2,085,837	\$ 1,353,439	\$ 31,654,120
Investment earnings (loss)	(2,638,157)	(257,229)	(115,119)	(191,934)	(75,417)	(3,277,856)
Other program and miscellaneous	1,001,784	545,574	101,026	159,851	231,509	2,039,744
Material resources donated in-kind	5,232,137	174,172				5,406,309
Net assets released from restrictions	9,467,026	62,909	86,865	143,579	8,250	9,768,629
Total revenue	36,374,013	3,517,406	1,984,413	2,197,333	1,517,781	45,590,946
Expenses:						
Programs:						
Disaster relief	11,103,974	1,046,225	280,764	435,103	2,371	12,868,437
Justice and peacebuilding	5,782,182	409,895	276,623	178,354	196,543	6,843,597
Sustainable community development	13,232,178	815,362	256,403	1,006,668	382,964	15,693,575
General administration	3,096,363	610,676	442,038	443,108	848,573	5,440,758
Fundraising	1,605,697	467,721	271,129	340,797	122,243	2,807,587
Total expenses	34,820,394	3,349,879	1,526,957	2,404,030	1,552,694	43,653,954
Change in net assets without donor restrictions	1,553,619	167,527	457,456	(206,697)	(34,913)	1,936,992

(continued)

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED MARCH 31, 2023

(See independent accountant's report on supplementary information)

	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Total
Donor restricted activities:						
Revenue:						
Contributions	\$ 9,855,764	\$ 60,455	\$ 74,868	\$ 126,215	\$ 9,759	\$ 10,127,061
Grants	1,466,829	6,333				1,473,162
Investment earnings (loss)	(42,259)					(42,259)
Net assets released from restrictions	(9,467,026)	(62,909)	(86,865)	(143,579)	(8,250)	(9,768,629)
Change in net assets with donor restrictions	1,813,308	3,879	(11,997)	(17,364)	1,509	1,789,335
Change in net assets	3,366,927	171,406	445,459	(224,061)	(33,404)	3,726,327
Net assets:						
Beginning of year	64,029,431	5,396,970	2,794,082	3,880,731	2,079,121	78,180,335
End of year	\$ 67,396,358	\$ 5,568,376	\$ 3,239,541	\$ 3,656,670	\$ 2,045,717	\$ 81,906,662

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2022

(See independent accountant's report on supplementary information)

	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Total
Activities without donor restrictions:						
Revenue:						
Contributions	\$ 22,688,701	\$ 2,326,487	\$ 1,616,099	\$ 1,618,443	\$ 1,219,881	\$ 29,469,611
Grants	913,527	8,630		400	49,625	972,182
Investment earnings (loss)	1,201,916	42,740	(845)	34,273	(1,387)	1,276,697
Other program and miscellaneous	818,063	528,566	102,741	146,262	249,034	1,844,666
Gain on extinguishment of debt	850,458	244,095	125,652	157,712	102,101	1,480,018
Material resources donated in-kind	4,384,391	152,673	819	8,315		4,546,198
Net assets released from restrictions	6,409,711	129,497	104,262	147,648	26,308	6,817,426
Allocation of revenue to regions	(572,436)	220,403	135,312	162,074	54,647	-
Total revenue	36,694,331	3,653,091	2,084,040	2,275,127	1,700,209	46,406,798
Expenses:						
Programs:						
Disaster relief	7,063,075	705,908	273,465	224,934	9,308	8,276,690
Justice and peacebuilding	4,855,485	323,980	211,493	147,703	105,742	5,644,403
Sustainable community development	12,381,433	722,086	282,580	742,104	276,174	14,404,377
General administration	2,264,087	568,820	389,862	410,368	752,977	4,386,114
Fundraising	1,680,960	355,764	257,848	396,478	120,017	2,811,067
Total expenses	28,245,040	2,676,558	1,415,248	1,921,587	1,264,218	35,522,651
Change in net assets without donor restrictions	8,449,291	976,533	668,792	353,540	435,991	10,884,147

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MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED MARCH 31, 2022

(See independent accountant's report on supplementary information)

	U.S. and international program	East Coast	Central States	Great Lakes	West Coast	Total
Donor restricted activities:						
Revenue:						
Contributions	\$ 8,817,798	\$ 88,895	\$ 75,972	\$ 138,070	\$ 13,920	\$ 9,134,655
Investment earnings (loss)	(118,868)	50,087	32,000	34,783	22,261	20,263
Allocation of revenue to regions	(534,952)	197,414	121,633	163,328	52,577	-
Net assets released from restrictions	(6,409,711)	(129,497)	(104,262)	(147,648)	(26,308)	(6,817,426)
Change in net assets with donor restrictions	1,754,267	206,899	125,343	188,533	62,450	2,337,492
Change in net assets	10,203,558	1,183,432	794,135	542,073	498,441	13,221,639
Net assets:						
Beginning of year	53,825,873	4,213,538	1,999,947	3,338,658	1,580,680	64,958,696
End of year	\$ 64,029,431	\$ 5,396,970	\$ 2,794,082	\$ 3,880,731	\$ 2,079,121	\$ 78,180,335

See notes to consolidated financial statements.