

**MENNONITE CENTRAL COMMITTEE U.S.  
AND SUBSIDIARIES**

**YEARS ENDED  
MARCH 31, 2014 AND 2013**

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

YEARS ENDED MARCH 31, 2014 AND 2013

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## Independent Auditors' Report

Members  
Mennonite Central Committee U.S.  
Akron, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Mennonite Central Committee U.S. and subsidiaries (nonprofit organizations), which comprise the consolidated statements of financial position as of March 31, 2014 and 2013, 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.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the 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 Organization's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mennonite Central Committee U.S. and subsidiaries as of March 31, 2014 and 2013, 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.

*Brown Schultz Steindam & Fritz*

July 23, 2014

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents:		
Cash	\$ 776,215	\$ 903,289
Cash equivalents in investment accounts	3,736,407	1,042,329
Cash in overseas accounts or held by agents	<u>1,651,881</u>	<u>1,520,878</u>
Total cash and cash equivalents	6,164,503	3,466,496
Accounts receivable:		
Trade and others, net of allowance for doubtful accounts of \$18,686 for 2014 and 2013	263,342	119,075
MCCC	384,856	187,376
Grants receivable	76,215	27,468
Inventory	1,602,534	1,323,437
Prepaid expenses	379,851	546,666
Investments	15,686,101	17,106,270
Loans receivable	6,863	9,464
Interest in MASP reserve	991,671	1,032,065
Beneficial interest in perpetual trusts	395,738	383,819
Property and equipment, net of accumulated depreciation of \$6,962,801 and \$6,466,712 in 2014 and 2013, respectively	<u>7,110,574</u>	<u>7,184,085</u>
Total assets	<u>\$ 33,062,248</u>	<u>\$ 31,386,221</u>

See notes to consolidated financial statements.

## LIABILITIES AND NET ASSETS

	2014	2013
Liabilities:		
Payables:		
Trade and others	\$ 1,141,610	\$ 612,219
Service workers	511,139	560,492
MCCC		57,628
Noninterest-bearing demand notes	15,000	15,000
Accrued salaries and benefits	867,482	1,150,652
Total liabilities	2,535,231	2,395,991
Net assets:		
Unrestricted	25,684,687	24,009,643
Restricted:		
Temporarily	3,882,174	4,129,634
Permanently	960,156	850,953
Total net assets	30,527,017	28,990,230
Total liabilities and net assets	\$ 33,062,248	\$ 31,386,221

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

YEARS ENDED MARCH 31, 2014 AND 2013

	2014			2013				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue:								
Contributions	\$ 18,051,538	\$ 6,209,790	\$ 97,284	\$ 24,358,612	\$ 18,872,973	\$ 4,705,144		\$ 23,578,117
Grants, nongovernment	790,269			790,269	1,171,241			1,171,241
Investment earnings	324,747		11,919	336,666	274,993			274,993
Other program and miscellaneous	2,133,556			2,133,556	2,001,938			2,001,938
Material resources donated in-kind	2,943,673			2,943,673	2,596,345			2,596,345
Net assets released from restrictions	6,457,250	(6,457,250)		-	5,588,029	(5,588,029)		-
Total revenue	<u>30,701,033</u>	<u>(247,460)</u>	<u>109,203</u>	<u>30,562,776</u>	<u>30,505,519</u>	<u>(882,885)</u>		<u>29,622,634</u>
Expenses:								
Programs:								
Disaster relief	6,677,803			6,677,803	5,926,615			5,926,615
Justice and peacebuilding	3,558,995			3,558,995	3,486,824			3,486,824
Sustainable community development	11,851,664			11,851,664	12,547,118			12,547,118
General administration	5,390,832			5,390,832	4,921,388			4,921,388
Fund-raising	1,546,695			1,546,695	1,403,189			1,403,189
Total expenses	<u>29,025,989</u>			<u>29,025,989</u>	<u>28,285,134</u>			<u>28,285,134</u>
Change in net assets, operating activities	<u>1,675,044</u>	<u>(247,460)</u>	<u>109,203</u>	<u>1,536,787</u>	<u>2,220,385</u>	<u>(882,885)</u>		<u>1,337,500</u>
Other non-operating activities, transfer of net assets to MCCC					<u>(9,540,487)</u>	<u>(5,538,376)</u>		<u>(15,078,863)</u>
Changes in net assets	1,675,044	(247,460)	109,203	1,536,787	(7,320,102)	(6,421,261)		(13,741,363)
Net assets:								
Beginning of year	<u>24,009,643</u>	<u>4,129,634</u>	<u>850,953</u>	<u>28,990,230</u>	<u>31,329,745</u>	<u>10,550,895</u>	<u>\$ 850,953</u>	<u>42,731,593</u>
End of year	<u>\$ 25,684,687</u>	<u>\$ 3,882,174</u>	<u>\$ 960,156</u>	<u>\$ 30,527,017</u>	<u>\$ 24,009,643</u>	<u>\$ 4,129,634</u>	<u>\$ 850,953</u>	<u>\$ 28,990,230</u>

See notes to consolidated financial statements.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2014 AND 2013

2014	Total					Total expenses
	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fund-raising	
Salaries and benefits	\$ 985,777	\$ 1,971,721	\$ 3,188,576	\$ 3,264,370	\$ 1,037,118	\$ 10,447,562
Travel	145,352	331,334	639,346	288,696	89,477	1,494,205
Grants	4,019,285	688,289	4,746,928	9,049	7,000	9,470,551
Freight	73,684	110	74,502			148,296
Occupancy	78,802	69,487	184,950	90,305	33,074	456,618
Supplies	284,961	18,887	344,553	122,013	9,463	779,877
Other	377,725	479,167	581,121	1,616,399	370,563	3,424,975
Material resources donated in-kind	712,217		2,091,688			2,803,905
<b>Total 2014</b>	<b>\$ 6,677,803</b>	<b>\$ 3,558,995</b>	<b>\$ 11,851,664</b>	<b>\$ 5,390,832</b>	<b>\$ 1,546,695</b>	<b>\$ 29,025,989</b>
<hr/>						
2013						
Salaries and benefits	\$ 1,167,031	\$ 1,892,966	\$ 3,311,385	\$ 3,264,668	\$ 935,988	\$ 10,572,038
Travel	137,555	370,452	642,857	252,393	80,104	1,483,361
Grants	2,930,134	731,898	4,883,076	1,618	6,038	8,552,764
Freight	113,751	484	98,624			212,859
Other	788,250	491,024	1,534,800	1,402,709	381,059	4,597,842
Material resources donated in-kind	789,894		2,076,376			2,866,270
<b>Total 2013</b>	<b>\$ 5,926,615</b>	<b>\$ 3,486,824</b>	<b>\$ 12,547,118</b>	<b>\$ 4,921,388</b>	<b>\$ 1,403,189</b>	<b>\$ 28,285,134</b>

For the year ended March 31, 2013, a significant amount of other expenses included amounts for occupancy, supplies, telephone and equipment.

See notes to consolidated financial statements.



**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,536,787	\$ (13,741,363)
Adjustments:		
Depreciation	774,621	741,660
Unrealized gain on investments	(83,960)	(205,947)
Gain on disposal of property and equipment	(3,696)	(8,845)
Transfer of net assets to MCCC		15,078,863
Foreign exchange rate gains	(19,500)	(21,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable:		
Trade and others	(144,267)	50,107
MCCC	(197,480)	(187,376)
Grants receivable	(48,747)	416,221
Inventory	(279,097)	269,925
Prepaid expenses	166,815	(296,411)
Loans receivable	2,601	4,970
Interest in MASP reserve	40,394	(397,516)
Beneficial interest in perpetual trusts	(11,919)	(7,863)
Increase (decrease) in:		
Payables:		
Trade and others	529,391	116,322
Service workers	(49,353)	(24,420)
MCCC	(57,628)	57,628
Accrued salaries and benefits	(283,170)	(950,462)
Net cash provided by operating activities	<u>1,871,792</u>	<u>894,493</u>
Cash flows from investing activities:		
Proceeds from sale of:		
Property and equipment	5,000	8,845
Investments	29,754,404	25,134,924
Purchases of:		
Investments	(28,250,275)	(19,198,128)
Property and equipment	(702,414)	(814,252)
Net cash provided by investing activities	<u>806,715</u>	<u>5,131,389</u>
Cash flows from financing activities, transfer of cash to MCCC		<u>(6,402,305)</u>

(continued)

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ 19,500	\$ 21,000
Net increase (decrease) in cash and cash equivalents	2,698,007	(355,423)
Cash and cash equivalents:		
Beginning	<u>3,466,496</u>	<u>3,821,919</u>
Ending	<u>\$ 6,164,503</u>	<u>\$ 3,466,496</u>
Noncash financing activities:		
On April 1, 2012, MCC U.S. transferred net assets of \$15,078,863 to MCCC.		
The total noncash transfer of assets and liabilities was comprised of the following:		
Assets:		
Accounts receivable:		
Trade and others	\$ 333,436	
MCCC	6,332,268	
Prepaid expenses/advances	61,895	
Interest in MASP reserve	319,813	
Property and equipment, including equitable interest of \$2,084,663	<u>2,555,076</u>	
Total assets	<u>9,602,488</u>	
Liabilities:		
Accounts payable, trade and others	374,566	
Accounts payable, service workers	<u>551,364</u>	
Total liabilities	<u>925,930</u>	
Total net transfer (total assets less total liabilities)	<u>\$ 8,676,558</u>	

See notes to consolidated financial statements.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2014 AND 2013

**1. Summary of significant accounting policies:**

*General:*

Mennonite Central Committee U.S. (MCC U.S. or 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 Mennonite Central Committee U.S. regional boards of directors.

The financial statements include the accounts of Mennonite Central Committee 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.

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 together provided roughly 31% and 29% of the Organization's total contributions for the years ended 2014 and 2013, 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.

To March 31, 2012, Mennonite Central Committee Canada (MCCC) and Mennonite Central Committee U.S. (MCC U.S.) performed the majority of their international work through MCC Binational (MCCBN) located in Akron, Pennsylvania. During the year ended March 31, 2012, MCCBN, MCCC and the MCC U.S. reorganized so as to continue the international operations of MCC as a shared program, while continuing their respective domestic programs. Under the terms of the reorganization, the by-laws of MCCBN were changed such that the Board of MCCBN transferred control of its corporate status, assets, liabilities and net assets to a new Board on March 30, 2012 and became known as MCC U.S. Through a document called "Principles of Sharing MCC Binational's Assets and Liabilities", the respective Boards of MCCC and MCC U.S. and their respective delegate bodies, approved the transfer of the former MCCBN assets to MCCC and MCC U.S. effective April 1, 2012.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**1. Summary of significant accounting policies (continued):**

*General (continued):*

Effective April 1, 2012, MCCC and MCC U.S. entered into a covenant to share the operations of the MCC U.S. international programs in each country that the former MCCBN operated and all related assets including property, relationships, reputation, knowledge, experience and supporting systems located in those countries. 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 shared program so that it will be seen as one integrated MCC shared 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.

*Reporting period:*

The Organization's fiscal year begins April 1 and ends on March 31.

*Estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

*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.

*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 were no changes in the valuation allowance from 2013 to 2014.

*Inventory valuation:*

Inventories of material resources donated in-kind are valued at the lower of cost or market which generally is estimated fair value at the time of donation.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**1. Summary of significant accounting policies (continued):**

*Foreign currency:*

The statement of financial position reflects 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 gains included in the statement of operations for the years ended March 31, 2014 and 2013 are approximately \$19,500 and \$21,000, respectively.

*Investments:*

Unrealized gains and losses are included in the change in net assets.

*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 estimated fair value. Such donations are reported as unrestricted contributions 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 temporarily restricted net assets. 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 temporarily restricted net assets to unrestricted net assets 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.

*Contributions, including grants:*

Contributions and grants are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor restrictions.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**1. Summary of significant accounting policies (continued):**

*Grants and pledges receivable and grants payable:*

MCC U.S. records unconditional grants and other contributions receivable in subsequent years as temporarily restricted support. Unconditional grants and pledges due in subsequent years are recorded at net realizable present value, using a risk-free interest rate to discount the amounts. An allowance for uncollectible grants and pledges is provided based on management's evaluation of potential uncollectible grants and pledges receivable at year-end.

Similarly, MCC U.S. records unconditional grants and pledges it has made to other organizations as expenses in the year the commitment has been made. Unconditional grants and pledges payable in subsequent years are recorded at the present value of the future cash outflows.

*Material resources donated in-kind:*

MCC U.S. records gifts of meat, clothing, bedding and other donated items at the estimated fair value when they are received.

*Contributed services:*

The Organization receives a significant amount of donated services from volunteers who assist in various program activities for which the criteria for recognition of these services under generally accepted accounting principles have and have not been satisfied. However, no amounts are reflected in the accompanying statements of activities due to immateriality.

*Functional allocation of 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 among the programs and supporting services benefited.

*Income taxes:*

The organizations have been recognized as corporations exempt from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

MCC U.S. follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, to account for uncertainty in income taxes. MCC U.S. is recognized as an association of churches within the meaning of Section 170 (b)(1)(A)(i) of the Internal Revenue Code. As such, MCC U.S. is not required to file a Form 990, *Return of Organization Exempt from Income Tax*, and Form 990-T, *Exempt Organization Business Income Tax Return*, with the United States government annually.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**1. Summary of significant accounting policies (continued):**

*Pension benefits:*

The Organization sponsors a defined contribution plan which covers all employees after three years of qualifying service (two years of service if considered a domestic service worker). 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, 2014 and 2013 totaled \$769,661 and \$837,480, respectively.

*Other postemployment benefits:*

MCC U.S. provides certain medical benefits to former employees. In accordance with generally accepted accounting principles, these costs are accounted for on the accrual basis. The benefit obligation is calculated using a discount rate of 4% over the expected lives of the participants.

**2. Cash and cash equivalents:**

MCC U.S. maintains several bank accounts which may at times exceed the federally insured limits. At March 31, 2014, the amount of deposits in cash held at various banks exceeded the Federal Deposit Insurance Corporation (FDIC) limit by \$434,247. 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.

**3. Grants receivable:**

Unconditional grants receivable of \$76,215 are due in the fiscal year ending March 31, 2015. At March 31, 2013, there was \$27,468 of unconditional grants receivable.

**4. Investment valuation and investments:**

Investments for which market prices are readily available (common stock and mutual funds) 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. The other investments are valued by the cost of the associated notes.

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

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**4. 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 or 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 fair values of assets measured on a recurring basis at March 31, 2014 and 2013 are as follows:

Valuation inputs	Investment in securities	
	2014	2013
Level 1 - Quoted prices	\$ 1,992,295	\$ 1,721,430
Level 2 - Other significant observable inputs	13,693,806	15,384,840
	\$ 15,686,101	\$ 17,106,270



**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**4. Investment valuation and investments (continued):**

Investments are comprised of the following:

	2014		2013	
	Cost	Carrying value	Cost	Carrying value
Government agency securities	\$ 1,200,354	\$ 1,198,670	\$ 1,550,333	\$ 1,550,843
Common stock	1,465,375	1,992,295	1,313,529	1,721,430
Corporate and municipal bonds	12,342,711	12,349,514	13,640,692	13,667,120
Other	72,520	145,622	80,535	166,877
	<u>\$ 15,080,960</u>	<u>\$ 15,686,101</u>	<u>\$ 16,585,089</u>	<u>\$ 17,106,270</u>

The following schedule summarizes the investment earnings and its classification in the statements of activities for the years ended March 31, 2014 and 2013:

	2014	2013
Interest, dividends and realized gains	\$ 252,706	\$ 69,046
Unrealized gains	83,960	205,947
	<u>\$ 336,666</u>	<u>\$ 274,993</u>

**5. Property and equipment:**

Property and equipment consist of the following:

	2014	2013
Land and buildings	\$ 10,349,171	\$ 9,957,915
Construction in progress	39,001	135,009
Furniture and equipment	2,264,111	2,016,475
Vehicles	1,421,092	1,541,398
	14,073,375	13,650,797
Accumulated depreciation	<u>6,962,801</u>	<u>6,466,712</u>
Total property and equipment	<u>\$ 7,110,574</u>	<u>\$ 7,184,085</u>

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 YEARS ENDED MARCH 31, 2014 AND 2013

**5. Property and equipment (continued):**

Depreciation charged to expense during the years ended March 31, 2014 and 2013 totaled \$774,621 and \$741,660, respectively.

**6. 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 permanently restricted on the accompanying statements of financial position and is valued at the present value of its estimated future cash receipts, which approximates the fair value of the trust assets. Fair values are determined using quoted market prices. Changes in fair value for the period are recognized as an element of the change in permanently restricted net assets.

**7. 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 2.40% at March 31, 2014. There were no borrowings on the line of credit at March 31, 2014.

**8. Permanently restricted net assets:**

Net assets of \$960,156 were permanently restricted for general endowment purposes as of March 31, 2014. This includes \$564,418 in endowment funds and \$395,738, in beneficial interests in third-party trusts.

**9. Temporarily restricted net assets:**

Temporarily restricted net assets are available for the following purposes or periods:

	2014	2013
Time restrictions	\$ 164,661	\$ 101,594
Program restrictions	3,717,513	4,028,040
	\$ 3,882,174	\$ 4,129,634

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**9. Temporarily restricted net assets (continued):**

Net assets released from temporary restriction were as follows:

	2014	2013
Released from:		
Time restrictions expired	\$ 289,612	\$ 397,414
Program restrictions, other international activities	6,167,638	5,190,615
	\$ 6,457,250	\$ 5,588,029

**10. Unrestricted net assets:**

Unrestricted net assets consist of amounts which are applied to long-term assets, reserved by the MCC U.S. Board for special purposes and available for operations. Unrestricted net assets are summarized as follows:

	2014	2013
Applied to long-term assets:		
Invested in property and equipment	\$ 7,110,574	\$ 7,184,085
Other unrestricted	12,074,588	10,540,165
	19,185,162	17,724,250
Reserved by Board Action (not available for current operations):		
Bequests	3,972,770	4,382,284
Pension reserve	362,640	362,640
Capital reserve	2,164,115	1,540,469
	6,499,525	6,285,393
Total unrestricted net assets	\$ 25,684,687	\$ 24,009,643

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**11. MASP employee healthcare assistance benefit program:**

The Organization participates in a self-funded employee healthcare assistance benefit program, Mutual Aid Sharing 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.

The MASP changed from a post-assessment to a pre-assessment structure beginning October 1, 2012. Under the post-assessment plan, the Organization was responsible for covered medical expenses for eligible employees up to \$7,000. Major medical claims (a single injury or illness with costs in excess of \$7,000) were covered through participation in the MASP. Major medical claims in excess of an aggregate of \$3,500,000 from all member agencies were reinsured up to an annual maximum of \$1,000,000.

Under the new pre-assessment structure beginning with the MASP year effective October 1, 2012, the Organization is responsible for claims up to the retention of \$30,000 per person. Claims in excess of the retention up to \$280,000 will be pooled with the other agencies. Claims above \$280,000 are reinsured by a stop loss policy that covers all MASP agencies. The stop loss reinsurance now defines a claim as the total medical claims per individual per MASP fiscal year and will no longer be defined as per injury/per individual. The Organization has expensed their retention claims and the monthly payments to the MASP for their 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 \$280,000. The actual amount may differ from this estimate based on the Organization's and pooled agencies' actual experience.

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.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**12. Foreign assets and liabilities:**

Foreign assets and liabilities consist of the following:

	<u>2014</u>	<u>2013</u>
Cash	\$ 1,565,395	\$ 1,455,569
Accounts receivable	\$ 94,091	\$ 64,159
Prepaid expenses	\$ 90,852	\$ 62,507
Property and equipment, net	\$ 426,515	\$ 430,035
Payables and accrued benefits	\$ 772,557	\$ 786,827

**13. Commitments:**

The Organization leases office facilities under month-to-month lease agreements. The Organization leases a facility from a church organization affiliated with a member of the MCC U.S. Board of Directors, through 2015. Rent expense for this facility was \$21,466 for the years ended March 31, 2014 and 2013. The Organization also leases a facility from another church organization with a lease term expiring April 30, 2015. Rent expense for this facility was \$18,555 for the years ended March 31, 2014 and 2013.

As part of the shared program, MCC U.S., along with MCCC, have entered into agreements to lease premises for various periods until March 2018.

Future minimum lease payments under these agreements are as follows:

2015	\$ 182,221
2016	84,949
2017	59,333
2018	48,206
2019	<u>35,088</u>
Total minimum future rental payments	<u>\$ 409,797</u>

Rent expense totaled \$166,161 and \$137,973 for the years ended March 31, 2014 and 2013, respectively.

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED MARCH 31, 2014 AND 2013

**13. Commitments (continued):**

In June 2013, MCC U.S. guaranteed a line of credit for Mennonite World Conference for expenses related to the global assembly in Harrisburg, PA, in July 2015. The guarantee is for up to \$500,000.

**14. Subsequent events:**

MCC U.S. has evaluated subsequent events through July 23, 2014, the date which the financial statements were available to be issued.



Independent Auditors' Report  
on Accompanying 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, 2014 and 2013, and our report thereon dated July 23, 2014, 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 accompanying information is presented for the purpose of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations and cash flows for the individual geographical areas and 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Brown Schultz Sheridan & Fritz*

July 23, 2014

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

COMBINING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2014

	<u>U.S.</u>	<u>Shared Program</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents:			
Cash	\$ 776,215		\$ 776,215
Cash equivalents in investment accounts	3,736,407		3,736,407
Cash in overseas accounts or held by agents	<u>86,486</u>	<u>\$ 1,565,395</u>	<u>1,651,881</u>
Total cash and cash equivalents	4,599,108	1,565,395	6,164,503
Accounts receivable:			
Trade and others, net of allowance for doubtful accounts of \$18,686	169,251	94,091	263,342
MCCC	384,856		384,856
Grants receivable	76,215		76,215
Inventory	1,602,534		1,602,534
Prepaid expenses	288,999	90,852	379,851
Investments	15,686,101		15,686,101
Loans receivable	6,863		6,863
Interest in MASP reserve	991,671		991,671
Beneficial interest in perpetual trusts	395,738		395,738
Property and equipment (net of accumulated depreciation of \$6,462,723 and \$500,078 for MCC U.S. and MCC U.S. Shared Program, respectively)	<u>6,684,059</u>	<u>426,515</u>	<u>7,110,574</u>
Total assets	<u>\$ 30,885,395</u>	<u>\$ 2,176,853</u>	<u>\$ 33,062,248</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Payables:			
Trade and others	\$ 858,133	\$ 283,477	\$ 1,141,610
Service workers	22,059	489,080	511,139
Noninterest-bearing demand notes	15,000		15,000
Accrued salaries and benefits	<u>867,482</u>		<u>867,482</u>
Total liabilities	<u>1,762,674</u>	<u>772,557</u>	<u>2,535,231</u>
Net assets:			
Unrestricted	24,280,391	1,404,296	25,684,687
Restricted:			
Temporarily	3,882,174		3,882,174
Permanently	<u>960,156</u>		<u>960,156</u>
Total net assets	<u>29,122,721</u>	<u>1,404,296</u>	<u>30,527,017</u>
Total liabilities and net assets	<u>\$ 30,885,395</u>	<u>\$ 2,176,853</u>	<u>\$ 33,062,248</u>



**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

COMBINING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2013

	<u>U.S.</u>	<u>Shared Program</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents:			
Cash	\$ 903,289		\$ 903,289
Cash equivalents in investment accounts	1,042,329		1,042,329
Cash in overseas accounts or held by agents	<u>65,309</u>	<u>\$ 1,455,569</u>	<u>1,520,878</u>
Total cash and cash equivalents	2,010,927	1,455,569	3,466,496
Accounts receivable:			
Trade and others, net of allowance for doubtful accounts of \$18,686	54,916	64,159	119,075
MCCC	187,376		187,376
Grants receivable	27,468		27,468
Inventory	1,323,437		1,323,437
Prepaid expenses	484,159	62,507	546,666
Investments	17,106,270		17,106,270
Loans receivable	9,464		9,464
Interest in MASP reserve	1,032,065		1,032,065
Beneficial interest in perpetual trusts	383,819		383,819
Property and equipment (net of accumulated depreciation of \$5,854,226 and \$612,486 for MCC U.S. and MCC U.S. Shared Program, respectively)	<u>6,754,050</u>	<u>430,035</u>	<u>7,184,085</u>
Total assets	<u>\$ 29,373,951</u>	<u>\$ 2,012,270</u>	<u>\$ 31,386,221</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Payables:			
Trade and others	\$ 359,187	\$ 253,032	\$ 612,219
Service workers	26,697	533,795	560,492
MCCC	57,628		57,628
Noninterest-bearing demand notes	15,000		15,000
Accrued salaries and benefits	<u>1,150,652</u>		<u>1,150,652</u>
Total liabilities	<u>1,609,164</u>	<u>786,827</u>	<u>2,395,991</u>
Net assets:			
Unrestricted	22,784,200	1,225,443	24,009,643
Restricted:			
Temporarily	4,129,634		4,129,634
Permanently	<u>850,953</u>		<u>850,953</u>
Total net assets	<u>27,764,787</u>	<u>1,225,443</u>	<u>28,990,230</u>
Total liabilities and net assets	<u>\$ 29,373,951</u>	<u>\$ 2,012,270</u>	<u>\$ 31,386,221</u>

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

COMBINING STATEMENT OF ACTIVITIES

MARCH 31, 2014

	<u>U.S.</u>	<u>Unrestricted Shared program</u>	<u>Total</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue:						
Contributions	\$ 18,051,538		\$ 18,051,538	\$ 6,209,790	\$ 97,284	\$ 24,358,612
Grants, nongovernment	790,269		790,269			790,269
Investment earnings	324,747		324,747		11,919	336,666
Other program and miscellaneous	2,133,556		2,133,556			2,133,556
Material resources donated in-kind	2,943,673		2,943,673			2,943,673
Transfers to shared program	(18,019,100)	\$ 18,019,100	-			-
Net assets released from restrictions	6,457,250		6,457,250	(6,457,250)		-
<b>Total revenue</b>	<b>12,681,933</b>	<b>18,019,100</b>	<b>30,701,033</b>	<b>(247,460)</b>	<b>109,203</b>	<b>30,562,776</b>
Expenses:						
Programs:						
Disaster relief	1,204,397	5,473,406	6,677,803			6,677,803
Justice and peacebuilding	1,541,843	2,017,152	3,558,995			3,558,995
Sustainable community development	1,501,975	10,349,689	11,851,664			11,851,664
General administration	5,390,832		5,390,832			5,390,832
Fund-raising	1,546,695		1,546,695			1,546,695
<b>Total expenses</b>	<b>11,185,742</b>	<b>17,840,247</b>	<b>29,025,989</b>			<b>29,025,989</b>
Changes in net assets	1,496,191	178,853	1,675,044	(247,460)	109,203	1,536,787
Net assets:						
Beginning of year	22,784,200	1,225,443	24,009,643	4,129,634	850,953	28,990,230
End of year	\$ 24,280,391	\$ 1,404,296	\$ 25,684,687	\$ 3,882,174	\$ 960,156	\$ 30,527,017

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

COMBINING STATEMENT OF ACTIVITIES

MARCH 31, 2013

	U.S.	Unrestricted Shared program	Total	Temporarily restricted	Permanently restricted	Total
Revenue:						
Contributions	\$ 18,872,973		\$ 18,872,973	\$ 4,705,144		\$ 23,578,117
Grants, nongovernment	1,171,241		1,171,241			1,171,241
Investment earnings	274,993		274,993			274,993
Other program and miscellaneous	2,001,938		2,001,938			2,001,938
Material resources donated in-kind	2,596,345		2,596,345			2,596,345
Transfers to shared program	(18,754,928)	\$ 18,754,928	-			-
Net assets released from restrictions	5,588,029		5,588,029	(5,588,029)		-
<b>Total revenue</b>	<b>11,750,591</b>	<b>18,754,928</b>	<b>30,505,519</b>	<b>(882,885)</b>		<b>29,622,634</b>
Expenses:						
Programs:						
Disaster relief	1,535,731	4,390,884	5,926,615			5,926,615
Justice and peacebuilding	1,255,799	2,231,025	3,486,824			3,486,824
Sustainable community development	1,639,542	10,907,576	12,547,118			12,547,118
General administration	4,921,388		4,921,388			4,921,388
Fund-raising	1,403,189		1,403,189			1,403,189
<b>Total expenses</b>	<b>10,755,649</b>	<b>17,529,485</b>	<b>28,285,134</b>			<b>28,285,134</b>
Change in net assets, operating activities	994,942	1,225,443	2,220,385	(882,885)		1,337,500
Other non-operating activities, transfer of net assets to MCC Canada	(9,540,487)		(9,540,487)	(5,538,376)		(15,078,863)
Changes in net assets	(8,545,545)	1,225,443	(7,320,102)	(6,421,261)		(13,741,363)
Net assets:						
Beginning of year	31,329,745		31,329,745	10,550,895	\$ 850,953	42,731,593
End of year	\$ 22,784,200	\$ 1,225,443	\$ 24,009,643	\$ 4,129,634	\$ 850,953	\$ 28,990,230

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

MARCH 31, 2014

	U.S.					Total expenses
	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fund-raising	
Salaries and benefits	\$ 595,145	\$ 1,162,456	\$ 956,743	\$ 3,264,370	\$ 1,037,118	\$ 7,015,832
Travel	42,791	109,746	153,272	288,696	89,477	683,982
Grants	11,693	19,331	108,352	9,049	7,000	155,425
Freight	40,486					40,486
Occupancy	45,917	28,749	47,440	90,305	33,074	245,485
Supplies	259,982	5,856	35,680	122,013	9,463	432,994
Other	208,383	215,705	78,946	1,616,399	370,563	2,489,996
Material resources donated in-kind			121,542			121,542
<b>Total</b>	<b>\$ 1,204,397</b>	<b>\$ 1,541,843</b>	<b>\$ 1,501,975</b>	<b>\$ 5,390,832</b>	<b>\$ 1,546,695</b>	<b>\$ 11,185,742</b>
	Shared Program					
	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fund-raising	Total expenses
Salaries and benefits	\$ 390,632	\$ 809,265	\$ 2,231,833			\$ 3,431,730
Travel	102,561	221,588	486,074			810,223
Grants	4,007,592	668,958	4,638,576			9,315,126
Freight	33,198	110	74,502			107,810
Occupancy	32,885	40,738	137,510			211,133
Supplies	24,979	13,031	308,873			346,883
Other	169,342	263,462	502,175			934,979
Material resources donated in-kind	712,217		1,970,146			2,682,363
<b>Total</b>	<b>\$ 5,473,406</b>	<b>\$ 2,017,152</b>	<b>\$ 10,349,689</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,840,247</b>

**MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES**

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

MARCH 31, 2013

	U.S.					Total expenses
	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fund-raising	
Salaries and benefits	\$ 607,265	\$ 967,743	\$ 924,139	\$ 3,264,668	\$ 935,988	\$ 6,699,803
Travel	38,469	116,812	114,874	252,393	80,104	602,652
Grants	102,253	14,686	141,683	1,618	6,038	266,278
Freight	56,943					56,943
Other	565,358	156,558	458,846	1,402,709	381,059	2,964,530
Material resources donated in-kind	165,443					165,443
<b>Total</b>	<b>\$ 1,535,731</b>	<b>\$ 1,255,799</b>	<b>\$ 1,639,542</b>	<b>\$ 4,921,388</b>	<b>\$ 1,403,189</b>	<b>\$ 10,755,649</b>
	Shared Program					
	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fund-raising	Total expenses
Salaries and benefits	\$ 559,766	\$ 925,223	\$ 2,387,246			\$ 3,872,235
Travel	99,086	253,640	527,983			880,709
Grants	2,827,881	717,212	4,741,393			8,286,486
Freight	56,808	484	98,624			155,916
Other	222,892	334,466	1,075,954			1,633,312
Material resources donated in-kind	624,451		2,076,376			2,700,827
<b>Total</b>	<b>\$ 4,390,884</b>	<b>\$ 2,231,025</b>	<b>\$ 10,907,576</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,529,485</b>