MENNONITE CENTRAL COMMITTEE U.S.
AND SUBSIDIARIES

YEARS ENDED
MARCH 31, 2017 AND 2016

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

YEARS ENDED MARCH 31, 2017 AND 2016

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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) (the Organization), which comprise the consolidated statements of financial position as of March 31, 2017 and 2016, 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 Unites 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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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, 2017 and 2016, 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 Sheridan & Fritz

Lancaster, Pennsylvania
July 26, 2017

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2017 AND 2016

ASSETS

	2017	2016
Cash and cash equivalents:		
Cash	$ 2,159,939	$ 1,010,409
Cash equivalents in investment accounts	1,743,145	1,917,786
Cash in overseas accounts or held by agents	1,329,230	1,311,829
Total cash and cash equivalents	5,232,314	4,240,024
Accounts receivable, trade and others, net of allowance for doubtful accounts of $18,000 and $7,400 for 2017 and 2016, respectively	532,549	191,473
Grants receivable	711,552	539,887
Inventory	2,593,932	2,213,589
Prepaid expenses	712,400	416,781
Investments	28,150,165	27,044,471
Loans receivable		2,268
Interest in MASP reserve	861,186	800,912
Beneficial interest in perpetual trusts	370,085	356,798
Property and equipment, net of accumulated depreciation	6,780,343	7,542,743
Total assets	$ 45,944,526	$ 43,348,946

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	2017	2016
Liabilities:		
Payables:		
Trade and others	$ 1,121,506	$ 970,513
Service workers	681,745	599,538
Noninterest-bearing demand notes		15,000
Accrued salaries and benefits	1,026,140	946,211
Deferred income	6,590	18,628
Total liabilities	2,835,981	2,549,890
Net assets:		
Unrestricted	37,877,332	35,743,166
Restricted:		
Temporarily	4,101,468	3,991,752
Permanently	1,129,745	1,064,138
Total net assets	43,108,545	40,799,056
Total liabilities and net assets	$ 45,944,526	$ 43,348,946

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue:								
Contributions	$ 20,170,834	$ 6,390,056	$ 100	$ 26,560,990	$ 20,868,595	$ 7,710,447	$ 250	$ 28,579,292
Grants, nongovernment	465,090			465,090	982,049			982,049
Investment earnings	1,389,931		65,507	1,455,438	494,503		44,370	538,873
Other program and miscellaneous	2,340,941			2,340,941	1,635,753			1,635,753
Material resources donated in-kind	3,788,584			3,788,584	3,407,425			3,407,425
Net assets released from restrictions	6,280,340	(6,280,340)		-	6,910,787	(6,859,776)	(51,011)	-
Total revenue	34,435,720	109,716	65,607	34,611,043	34,299,112	850,671	(6,391)	35,143,392
Expenses:								
Programs:								
Disaster relief	5,555,631			5,555,631	5,046,891			5,046,891
Justice and peacebuilding	5,973,953			5,973,953	5,545,316			5,545,316
Sustainable community development	15,216,692			15,216,692	15,179,355			15,179,355
Total program expenses	26,746,276			26,746,276	25,771,562			25,771,562
General administration	3,414,335			3,414,335	3,199,040			3,199,040
Fundraising	2,140,943			2,140,943	1,933,931			1,933,931
Total expenses	32,301,554			32,301,554	30,904,533			30,904,533
Change in net assets	2,134,166	109,716	65,607	2,309,489	3,394,579	850,671	(6,391)	4,238,859
Net assets:								
Beginning of year	35,743,166	3,991,752	1,064,138	40,799,056	32,348,587	3,141,081	1,070,529	36,560,197
End of year	$ 37,877,332	$ 4,101,468	$ 1,129,745	$ 43,108,545	$ 35,743,166	$ 3,991,752	$ 1,064,138	$ 40,799,056

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2017 AND 2016

2017	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fundraising	Total expenses
Salaries and benefits	$ 1,581,637	$ 2,846,976	$ 5,309,182	$ 2,414,855	$ 1,292,324	$ 13,444,974
Travel	178,720	667,290	914,844	203,287	88,365	2,052,506
Grants	1,237,917	1,343,197	4,977,756		8,000	7,566,870
Freight	174,703	149	107,076			281,928
Occupancy	209,092	251,398	407,380	42,014	152,652	1,062,536
Supplies	362,281	35,410	435,529	159,031	10,963	1,003,214
Communications	42,822	70,107	197,582	65,894	69,681	446,086
Meetings and seminars	41,582	343,499	299,150	54,104	63,045	801,380
Professional fees	83,868	86,046	185,937	149,089	69,156	574,096
Other	469,005	329,881	609,977	326,061	386,757	2,121,681
Material resources donated in-kind	1,174,004		1,772,279			2,946,283
Total 2017	$ 5,555,631	$ 5,973,953	$ 15,216,692	$ 3,414,335	$ 2,140,943	$ 32,301,554

2016	Disaster relief	Justice and peacebuilding	Sustainable community development	General administration	Fundraising	Total expenses
Salaries and benefits	$ 1,633,567	$ 2,823,501	$ 5,101,195	$ 2,121,513	$ 1,158,218	$ 12,837,994
Travel	199,336	631,100	876,307	193,874	108,924	2,009,541
Grants	1,389,085	1,122,735	4,520,826		7,500	7,040,146
Freight	127,801	21	125,724			253,546
Occupancy	191,863	218,505	358,582	14,405	63,964	847,319
Supplies	274,003	35,510	404,385	183,986	12,313	910,197
Communications	48,676	68,767	193,453	77,687	85,388	473,971
Meetings and seminars	41,914	297,624	239,596	39,011	26,394	644,539
Professional fees	101,620	78,420	192,296	187,280	55,289	614,905
Other	353,923	269,133	639,329	381,284	415,941	2,059,610
Material resources donated in-kind	685,103		2,527,662			3,212,765
Total 2016	$ 5,046,891	$ 5,545,316	$ 15,179,355	$ 3,199,040	$ 1,933,931	$ 30,904,533

See notes to consolidated financial statements.

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Changes in net assets	$ 2,309,489	$ 4,238,859
Adjustments:		
Depreciation	853,394	832,980
Unrealized gain on investments	(482,041)	(110,411)
Realized gain on investments	(540,959)	(141,090)
Gain on disposal of property and equipment	(121,375)	(51,813)
Foreign exchange rate losses	113,412	205,372
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable:		
Trade and others	(341,076)	54,507
MCCC		412,769
Grants receivable	(171,665)	(264,343)
Inventory	(380,343)	(217,554)
Prepaid expenses	(295,619)	88,464
Loans receivable	2,268	2,367
Interest in MASP reserve	(60,274)	65,526
Beneficial interest in perpetual trusts	(13,287)	36,676
Increase (decrease) in:		
Payables:		
Trade and others	150,993	(104,821)
Service workers	82,207	90,430
Accrued salaries and benefits	79,929	72,837
Deferred income	(12,038)	(57,686)
Total adjustments	(1,136,474)	914,210
Net cash provided by operating activities	1,173,015	5,153,069
Cash flows from investing activities:		
Proceeds from sale of:		
Property and equipment	714,370	110,944
Investments	6,976,185	15,671,627
Purchases of:		
Investments	(7,059,490)	(20,525,410)
Property and equipment	(683,378)	(986,569)
Net cash used in investing activities	(52,313)	(5,729,408)

(continued)

MENNONITE CENTRAL COMMITTEE U.S. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED MARCH 31, 2017 AND 2016

	2017	2016
Cash flows from financing activities:		
Effect of foreign currency exchange rate changes on cash and cash equivalents	$ (113,412)	$ (205,372)
Noninterest-bearing demand notes	(15,000)	
Net cash used in financing activities	(128,412)	(205,372)
Net increase (decrease) in cash and cash equivalents	992,290	(781,711)
Cash and cash equivalents:		
Beginning	4,240,024	5,021,735
Ending	$ 5,232,314	$ 4,240,024

See notes to consolidated financial statements.

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.

Effective April 1, 2012, 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 Shared 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 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.

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 32% and 31% of the Organization's total revenue for the years ended 2017 and 2016, 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.

1. Summary of significant accounting policies (continued):

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.

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.

Inventory valuation:

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

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 losses included in the statements of activities for the years ended March 31, 2017 and 2016 are $113,412 and $205,372, respectively.

Investments:

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

1. Summary of significant accounting policies (continued):

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 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.

Grants and pledges receivable and grants payable:

MCC U.S. records unconditional grants and other contributions receivable due 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.

1. Summary of significant accounting policies (continued):

Material resources donated in-kind:

MCC U.S. records gifts of meat, clothing, bedding and other donated items at 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 not been satisfied. Therefore, no amounts are reflected in the accompanying statements of activities.

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.

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

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. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

Pension benefits:

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, 2017 and 2016 totaled $870,660 and $820,073, respectively.

1. Summary of significant accounting policies (continued):

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.

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.

Reclassifications and change in accounting method:

Certain reclassifications have been made to the 2016 financial statement amounts in order to conform to the 2017 presentation.

The Organization changed its method of accounting for program expenses effective April 1, 2016. Certain costs previously classified as general and administrative costs have been identified as program related and are allocated based upon management's estimate of costs deemed to be program and staff time dedicated to program expenses. The new method of accounting for program costs was adopted because the Organization believes this method provides a more accurate presentation of program expenses. Comparative financial statements of prior years have been adjusted to apply the new method retrospectively. General and administrative expenses decreased by $1,591,772 in 2016 as a result of this change. Program expenses increased as follows as a result of this change:

Disaster relief	$ 306,972
Justice and peacebuilding	367,273
Sustainable community development	917,527
	$ 1,591,772

Subsequent events:

MCC U.S. has evaluated subsequent events through July 26, 2017, the date which the financial statements were available to be issued.

2. Cash and cash equivalents:

MCC U.S. maintains several bank accounts which may at times exceed the federally insured limits. At March 31, 2017, the amount of deposits in cash held at various banks exceeded the Federal Deposit Insurance Corporation (FDIC) limit by approximately $3,383,000. 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.

3. Grants receivable:

Unconditional grants receivable of $711,552 were due as of March 31, 2017. At March 31, 2016, there was $539,887 of unconditional grants receivable.

4. 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.

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 investments measured on a recurring basis at March 31, 2017 and 2016 are as follows:

	Investment in securities	
Valuation inputs	2017	2016
Level 1 - Quoted prices	$ 10,903,349	$ 9,419,493
Level 2 - Other significant observable inputs	17,246,816	17,624,978
	$ 28,150,165	$ 27,044,471

4. Investment valuation and investments (continued):

Investments are comprised of the following:

	2017		2016	
	Cost	Carrying value	Cost	Carrying value
Investments held:				
Government agency securities	$ 450,777	$ 448,746	$ 951,633	$ 952,324
Common stock	7,602,974	8,344,003	8,199,441	8,559,515
Corporate and municipal bonds	14,845,572	14,811,428	15,707,966	15,725,894
Other	289,590	391,425	259,227	382,843
	23,188,913	23,995,602	25,118,267	25,620,576
Endowment funds held:				
Common stock	2,284,652	2,559,346	789,991	859,978
Corporate and municipal bonds	1,534,742	1,514,189	530,594	534,520
Other	81,069	81,028	26,871	29,397
	3,900,463	4,154,563	1,347,456	1,423,895
	$ 27,089,376	$ 28,150,165	$ 26,465,723	$ 27,044,471

The following schedule summarizes the investment earnings and its classification in the statements of activities for the years ended March 31, 2017 and 2016:

	2017	2016
Interest and dividends	$ 543,306	$ 369,911
Realized gain	540,959	141,090
Unrealized gains	482,041	110,411
Expenses	(110,868)	(82,539)
	$ 1,455,438	$ 538,873

5. Property and equipment:

Property and equipment consist of the following:

	2017	2016
Land and buildings	$ 9,893,624	$ 10,414,545
Construction in progress	10,033	51,500
Furniture and equipment	2,520,211	3,034,620
Vehicles	2,109,266	2,007,212
	14,533,134	15,507,877
Accumulated depreciation	7,752,791	7,965,134
Total property and equipment	$ 6,780,343	$ 7,542,743

Depreciation charged to expense during the years ended March 31, 2017 and 2016 totaled $853,394 and $832,980, respectively.

6. 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 2.70% at March 31, 2017 or an interest rate floor of 4%. There were no borrowings on the line of credit at March 31, 2017.

7. 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 fair value using quoted market prices. Changes in value for the period are recognized as an element of the change in permanently restricted net assets.

8. Permanently restricted net assets:

Permanently restricted net assets include the following at March 31:

	2017	2016
Endowment funds	$ 759,660	$ 707,340
Beneficial interests in third-party trusts	370,085	356,798
	$ 1,129,745	$ 1,064,138

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.

8. Permanently restricted net assets (continued):

Changes in endowment-related activities for the years ended 2017 and 2016 are as follows:

	Board designated unrestricted	Permanently restricted	Total
April 1, 2015	$ -	$ 677,055	$ 677,055
Net investment income	45,414	30,285	75,699
Contributions	705,560		705,560
March 31, 2016	750,974	707,340	1,458,314
Net investment income	267,482	52,220	319,702
Contributions	2,455,418	100	2,455,518
March 31, 2017	$ 3,473,874	$ 759,660	$ 4,233,534

9. Temporarily restricted net assets:

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

	2017	2016
Time restrictions	$ 328,911	$ 600,817
Program restrictions	3,772,557	3,390,935
	$ 4,101,468	$ 3,991,752

Net assets released from temporary restriction were as follows:

	2017	2016
Released from:		
Time restrictions expired	$ 271,905	$ 401,382
Program restrictions, other international activities	6,008,435	6,458,394
	$ 6,280,340	$ 6,859,776

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:

	2017	2016
Applied to long-term assets:		
Invested in property and equipment	$ 6,780,343	$ 7,542,743
Other unrestricted	20,624,298	20,415,592
	27,404,641	27,958,335
Reserved by board action (not available for current operations):		
Board designated endowments	3,473,974	750,974
Bequests	3,803,628	4,762,008
Pension reserve	337,290	337,290
Capital reserve	1,857,799	1,934,559
Centennial reserve	1,000,000	
	10,472,691	7,784,831
Total unrestricted net assets	$ 37,877,332	$ 35,743,166

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.

Under the MASP, the Organization is responsible for claims up to the retention of $30,000 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.

11. 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 $861,186 and $800,912 at March 31, 2017 and 2016, respectively.

12. Commitments:

The Organization leases office facilities under month-to-month lease agreements. The Organization leased a facility from a church organization affiliated with a member of the MCC U.S. Board of Directors through March 31, 2017. Rent expense for this facility was $22,243 and $22,254 for the years ended March 31, 2017 and 2016, respectively. The Organization also leases a facility from another church organization with a lease term expiring April 30, 2018. Rent expense for this facility was $28,200 and $28,132 for the years ended March 31, 2017 and 2016, respectively.

As part of the shared program, MCC U.S. and MCCC have entered into agreements to lease premises for various periods until March 2021.

Future minimum lease payments under these agreements are as follows:

2018	$ 166,924
2019	85,258
2020	58,932
2021	47,793
2022	41,504
Total minimum future rental payments	$ 400,411

Rent expense totaled $155,605 and $185,698 for the years ended March 31, 2017 and 2016, respectively.

13. Derivative transactions:

MCC U.S. is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, MCCC and MCC U.S. incur international expenditures denominated in various foreign currencies and have agreed to share the currency risk related to these expenditures equally. On behalf of both national entities, MCCC entered into structured options to mitigate this risk during the years ended March 31, 2017 and 2016. As of March 31, 2017, MCCC had foreign exchange contracts outstanding of US $2,884,885 at exchange rates (CDN/USD) from 1.28 to 1.34, which mature between April 17, 2017 to June 30, 2017. MCC U.S. has recognized $11,288 as its share of the unrealized gain and $129,482 of unrealized loss on these foreign exchange contracts at March 31, 2017 and 2016, respectively. Fair value of contracts outstanding is measured using other observable inputs (Level 2).

14. Related parties:

The Organization is named in Ten Thousand Villages' (TTV) adopted restated bylaws effective October 29, 2016, whereby the number of Mennonite Central Committee 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.

TTV reimbursed MCC U.S. for various operating expenses throughout the year. Amounts due from TTV at March 31, 2017 and 2016 were $5,773 and $4,975, respectively.

During 2017, MCC U.S. provided a grant to TTV totaling $100,000 to assist with the revolving loan fund for contract stores.

Amounts due from MCC Canada at March 31, 2017 were $94,087. This balance was included in accounts receivable. Amounts due to MCC Canada at March 31, 2016 were $102,678. This balance was included in accounts payable.

15. Foreign assets and liabilities:

Foreign assets and liabilities consist of the following:

	2017	2016
Cash	$ 1,242,993	$ 1,263,283
Accounts receivable	$ 97,965	$ 124,898
Grant receivable	$ 429,428	
Prepaid expenses	$ 343,169	$ 82,129
Property and equipment, net	$ 516,040	$ 477,455
Payables and accrued benefits	$ 1,024,286	$ 854,985

16. Domestic and international program expenses:

Domestic and international program expenses consist of the following:

	2017			2016		
	Domestic program	International program	Total program	Domestic program	International program	Total program
Salaries and benefits	$ 2,887,007	$ 6,850,788	$ 9,737,795	$ 3,298,550	$ 6,259,713	$ 9,558,263
Travel	499,927	1,260,927	1,760,854	466,080	1,240,663	1,706,743
Grants	490,924	7,067,946	7,558,870	310,134	6,722,512	7,032,646
Freight	44,776	237,152	281,928	50,653	202,893	253,546
Occupancy	493,088	374,782	867,870	311,475	457,475	768,950
Supplies	493,954	339,266	833,220	356,640	357,258	713,898
Communications	48,850	261,661	310,511	60,071	250,825	310,896
Meetings and seminars	93,165	591,066	684,231	102,167	476,967	579,134
Professional fees	107,265	248,586	355,851	125,405	246,931	372,336
Other	601,038	807,825	1,408,863	520,877	741,508	1,262,385
Material resources donated in-kind	76,426	2,869,857	2,946,283	109,121	3,103,644	3,212,765
Total	$ 5,836,420	$ 20,909,856	$ 26,746,276	$ 5,711,173	$ 20,060,389	$ 25,771,562

Total expenses by priority

	Domestic program	International program	Total program	Domestic program	International program	Total program
Disaster relief	$ 1,545,491	$ 4,010,140	$ 5,555,631	$ 1,338,360	$ 3,708,531	$ 5,046,891
Justice and peacebuilding	1,778,929	4,195,024	5,973,953	1,914,112	3,631,204	5,545,316
Sustainable community development	2,512,000	12,704,692	15,216,692	2,458,701	12,720,654	15,179,355
	$ 5,836,420	$ 20,909,856	$ 26,746,276	$ 5,711,173	$ 20,060,389	$ 25,771,562

17. Joint costs (allocated to multiple functions):

The Organization operates a communications department that aims to keep donors, constituents and the general public informed about the Organization's activities; and invites participation in and support of the Organization's work through prayer, service, advocacy and giving. The department's major operating costs are salaries, benefits, occupancy travel and production costs, notably printing and mailing. The communications department costs are allocated as follows:

	2017	2016
Disaster Relief	$ 84,209	$ 78,732
Justice and peacebuilding	80,200	74,982
Sustainable community development	236,588	221,198
General administration	534,662	499,883
Fundraising	400,997	374,912
Total joint costs	$ 1,336,656	$ 1,249,707