MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Combined Financial Statements
With Independent Auditors' Report

December 31, 2016 and 2015

CAPINCROUSE LLP

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

We have audited the accompanying combined financial statements of Mennonite Brethren Foundation and Affiliate, which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Mennonite Brethren Foundation and Affiliate as of December 31, 2016 and 2015, and the changes in its combined net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

Adjustments to Prior Period Consolidated Financial Statements

As discussed in Note 17 to the combined financial statements, certain adjustments resulting in misstatement of amounts previously reported as of December 31, 2015 and 2014, were discovered during the current year. Accordingly, the 2015 combined financial statements now presented have been restated and opening net asset balances as of January 1, 2015, have been adjusted to correct these errors. Our opinion is not modified with respect to that matter.

Capin Crouse LLP

Wheaton, Illinois
May 4, 2017

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Combined Statements of Financial Position

	December 31, 2016	December 31, 2015
ASSETS:		
Cash and cash equivalents	$ 1,201,470	$ 1,666,812
Investments	55,683,257	57,676,136
Loans receivable, net	72,837,770	69,143,668
Interest receivable	245,726	236,618
Prepaid expenses and other	384,969	390,713
Property and equipment, net	1,096,634	90,415
Assets held in trust	15,719,213	16,371,972
Investments held for endowment	31,258,132	28,240,194
Total Assets	$ 178,427,171	$ 173,816,528
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 117,306	$ 24,669
Construction payable	325,757	-
Earnings payable	48,172	52,690
Investment certificates	63,212,434	65,446,137
Trust liability	14,235,000	14,959,207
Annuities payable	2,910,230	2,678,242
Funds held for others	38,992,688	38,337,749
Pension funds held for others	381,532	403,587
	120,223,119	121,902,281
Net assets:		
Unrestricted:		
Board designated for endowment	5,111,000	4,463,087
Board designated for administration	635,896	622,234
Net investment in property and equipment	770,877	90,415
Undesignated	22,004,174	19,448,150
Temporarily restricted	7,389,459	6,901,818
Permanently restricted	22,292,646	20,388,543
	58,204,052	51,914,247
Total Liabilities and Net Assets	$ 178,427,171	$ 173,816,528

See notes to combined financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Combined Statements of Activities

	Year Ended December 31,							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Interest on loans receivable	$ 3,790,952	$ -	$ -	$ 3,790,952	$ 3,615,696	$ -	$ -	$ 3,615,696
Contributions	4,475,814	27,567	582,433	5,085,814	4,284,806	637,153	276,172	5,198,131
Fees and other	1,118,009	39,093	-	1,157,102	865,256	42,000	-	907,256
Investment income	1,386,600	1,207,790	(27,040)	2,567,350	356,553	(87,954)	(42,880)	225,719
Change in value of annuities and trusts	91,795	47,133	5,972	144,900	(567,387)	(48,012)	(5,033)	(620,432)
Change in value of deferred gifts	-	78,987	-	78,987	-	1,411	-	1,411
	10,863,170	1,400,570	561,365	12,825,105	8,554,924	544,598	228,259	9,327,781
RECLASSIFICATIONS:								
Net assets released from purpose restrictions	834,602	(834,602)	-	-	554,733	(554,733)	-	-
Transfer per donor stipulation (Note 15)	(1,264,411)	(78,327)	1,342,738	-	(581,206)	(220,571)	801,777	-
	(429,809)	(912,929)	1,342,738	-	(26,473)	(775,304)	801,777	-
EXPENSES:								
Program services	5,415,648	-	-	5,415,648	6,109,249	-	-	6,109,249
Supporting activities:								
Management and general	871,369	-	-	871,369	772,954	-	-	772,954
Planned giving	248,283	-	-	248,283	218,914	-	-	218,914
	6,535,300	-	-	6,535,300	7,101,117	-	-	7,101,117
Change in Net Assets	3,898,061	487,641	1,904,103	6,289,805	1,427,334	(230,706)	1,030,036	2,226,664
Net Assets, Beginning of Year, as previously reported	24,623,886	6,901,818	20,388,543	51,914,247	23,196,552	8,495,564	17,995,467	49,687,583
Prior period adjustment (Note 17)	-	-	-	-	-	(1,363,040)	1,363,040	-
Net Assets, Beginning of Year, as restated	24,623,886	6,901,818	20,388,543	51,914,247	23,196,552	7,132,524	19,358,507	49,687,583
Net Assets, End of Year	$28,521,947	$ 7,389,459	$22,292,646	$58,204,052	$24,623,886	$ 6,901,818	$20,388,543	$51,914,247

See notes to combined financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Combined Statements of Cash Flows

	Year Ended December 31, 2016	Year Ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 6,289,805	$ 2,226,664
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,812	15,793
Net realized and unrealized (gain) loss on investments	(1,324,708)	896,970
Gift portion of new charitable gift annuities	(311,572)	(423,729)
Maturities of charitable gift annuities	(57,411)	(242,486)
Payments on charitable gift annuities	465,787	480,958
Charitable gift annuity actuarial change	(104,594)	(236,437)
Change in value of charitable trusts	(47,893)	45,929
Interest reinvested in investment certificates	824,710	834,620
Donated deferred gifts	-	(587,143)
Donated real estate	(195,000)	(1,250,333)
Donated personal property	(236,640)	-
Loss on disposal of property and equipment	7,098	-
Changes in:		
Interest receivable	(9,108)	8,442
Prepaid expenses and other	5,744	(11,229)
Accounts payable and accrued expenses	92,637	(10,047)
Earnings payable	(4,518)	(26,442)
Pension funds held for others	(22,055)	(24,816)
Net Cash Provided by Operating Activities	5,384,094	1,696,714
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	32,827,193	30,169,504
Purchase of investments	(31,503,005)	(33,417,067)
Loan advances	(12,009,096)	(8,216,565)
Loan principal received	8,314,994	6,381,283
Purchase of property and equipment	(699,372)	(41,819)
Net Cash Used by Investing Activities	(3,069,286)	(5,124,664)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	-	(66,000)
Proceeds from issuance of investment certificates	10,331,672	17,607,085
Redemptions of investment certificates	(13,390,085)	(14,617,417)
Face value of new annuity and trust agreements	744,267	887,285
Gift portion of new trust agreements	(23,556)	-
Payments on charitable gift annuities and trusts	(649,875)	(676,115)
Investment income on assets held in trust	207,427	(7,809)
Net Cash (Used) Provided by Financing Activities	(2,780,150)	3,127,029
Net Change in Cash and Cash Equivalents	(465,342)	(300,921)
Cash and Cash Equivalents, Beginning of Year	1,666,812	1,967,733
Cash and Cash Equivalents, End of Year	$ 1,201,470	$ 1,666,812
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$ 123,236	$ 91,807
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Matured investment certificates reinvested	$ 24,188,180	$ 22,855,615
Disposal of fully depreciated property and equipment	$ 14,100	$ -
Property and equipment acquired with construction payable	$ 325,757	$ -

See notes to combined financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

1. NATURE OF ORGANIZATION:

The combined financial statements include the financial statements of Mennonite Brethren Foundation (Foundation) and its affiliate, Mennonite Brethren Loan Fund (Fund), which are related through a common Board of Directors. All material intercompany transactions have been eliminated. The combined entity is hereinafter referred to as the Organization.

The Foundation is a service agency whose primary mission is to encourage and assist individuals, congregations and ministries in the Mennonite Brethren community with Biblical financial stewardship solutions. Services provided to Mennonite Brethren agencies, institutions, churches and their members include providing planned giving options, providing stewardship education and managing endowment funds. The Foundation is engaged by and has power of attorney for The United States Conference of Mennonite Brethren Churches as agent for the purpose of conducting all their stewardship, financial counseling, financial management and trust programs within the boundaries of the United States of America.

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Fund has been classified as an organization that is not a private foundation under IRC Section 509(a)(3).

The Fund was established by the Foundation as an affiliated organization. The Fund is a service agency whose primary mission is to serve the financial needs of Mennonite Brethren conferences, churches, institutions, agencies. Activities include loaning funds to Mennonite Brethren organizations for purchase or construction of facilities or for operations and to qualified workers of Mennonite Brethren churches for the purpose of purchasing their residences; raising capital from Mennonite Brethren organizations and individuals; and expressing generosity by making grants from earnings to the Foundation.

The Fund is exempt from federal income tax under Section 501(c)(3) of the IRC. In addition, the Fund has been classified as an organization that is not a private foundation under IRC Section 509(a)(1).

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The combined financial statements of the Organization have been prepared using the accrual basis of accounting. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking accounts and sweep accounts. Other accounts such as money market accounts are considered investments regardless of their original maturity.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value, which is based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Non-publicly traded securities and limited partnership interests are reported at fair value, determined by management using independent appraisals, discounted future cash flows and sales of similar investments. Discounts for lack of liquidity or marketability are taken into consideration when applicable. Investment in some interest bearing deposits are recorded at cost plus accrued interest.

Notes receivable are reported at amortized cost. Interest is calculated and recognized using the simple interest method. Donated stocks, bonds, mutual funds and government securities are recorded at quoted value or appraised fair value (as determined by appraisal) at date of donation and thereafter carried in accordance with the above policies.

Investment income and realized and unrealized gains and losses are included in unrestricted investment income unless a donor or law temporarily or permanently restricts their use.

LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable consist of loans primarily to Mennonite Brethren churches, organizations and qualified church workers, primarily secured by real estate mortgages, although the Fund does make some unsecured loans and some loans that are secured by third-party guarantees and other forms of collateral. Most of the loans are originally set up for a term of ten or fifteen years. Loans are reported at their outstanding principal balances net of loan participation interests sold and allowance for loan losses.

The allowance for loan losses is maintained at a level that, in management’s judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for potential loan losses in the period in which they become known.

Due to the nature of the relationship with its borrowers, the Fund is willing to make accommodations with borrowers whose payments are not current, so long as such accommodations do not jeopardize the interests of the Fund's investors. A loan is considered impaired when, based upon current information and events, it is probable that the Fund will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 90 days overdue. Delinquent loans continue to accrue interest. Payments on delinquent and impaired loans are recorded first as interest income and then as a reduction in principal. The accrual of interest income is discontinued when, in management's judgement, the scheduled interest may not be collectible within the stated term of the loan. Interest income is recognized on a cash basis for loans classified as nonaccrual loans, with subsequent payments applied first to interest and fees, if any, and then to principal. Loans classified as nonaccrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT
Property and equipment is recorded at cost if purchased or at fair value at date of gift if donated. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. The Organization capitalizes purchases of assets with a cost of $2,000 or more, and a useful life in excess of one year.

Property and equipment consists of the following:

	December 31, 2016	December 31, 2015
Office building and land	$ 276,037	$ 176,660
Furniture, fixtures and equipment	243,293	254,540
	519,330	431,200
Less accumulated depreciation	(314,179)	(340,785)
Construction in progress	891,483	-
	$ 1,096,634	$ 90,415

ASSETS HELD IN TRUST
Assets held in trust consist of charitable remainder trusts with revocable and irrevocable beneficiary interests. Assets held in trust are valued the same as investments. Gains and losses (including realized and unrealized) from all of these assets are reported as a component of change in value of charitable trusts or as a component of trust liability if the trustor has the ability to change the remainderman until the point the trust matures.

FUNDS HELD FOR OTHERS
Funds held for others consist of those assets held on behalf of other organizations. These assets are valued the same as investments and comingled with other Organization assets. All activity related to these assets is recorded directly to assets and a corresponding liability account as they are accounted for as agency funds.

ANNUITIES PAYABLE
Gift annuities are recognized as income at the date of the gift, net of actuarial liability, which is the present value of the annuity payments based on the life expectancy of the donor and a discount rate of 6 percent. Annually, an adjustment is made to income and the actuarial liability to record the actuarial gain or loss due to recomputation of the liability based upon the revised life expectancy. Additional income is recognized upon termination of the annuity contract. Amounts received from annuity contracts are invested with other pooled investments which include money market accounts and loans receivable. Total annuity funds invested are $6,499,505 and $5,984,080 at December 31, 2016 and 2015, respectively, including $2,267,167 and $2,141,033, respectively, held in trust for California annuitants.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

TRUST LIABILITY
Trust liability includes irrevocable charitable remainder unitrusts and represents the present value of future cash flows to income beneficiaries and the portion of trusts due other remaindermen. The present value of future cash flows to income beneficiaries is computed using published mortality rate tables adopted by the IRS at an assumed rate of return based on the current applicable federal rate to determine the present value of the actuarially determined liability. The resulting actuarial gain or loss is recorded as a component of the change in value for agreements where the Foundation has an irrevocable interest. If the Foundation does not have an irrevocable interest, the resulting actuarial gain or loss is recorded directly to the due other remaindermen liability. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to the Foundation.

CLASSES OF NET ASSETS
Information regarding financial position and activities is reported in three classes of net assets based on the existence of, or absence of, donor-imposed restrictions. Net assets are classified as follows:

Unrestricted net assets are those currently available for Organization purposes under the direction of the Board, those designated by the Board for specific use and those resources invested in property and equipment.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions, undistributed endowment investment income, or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per endowment agreements.

SUPPORT, REVENUE, EXPENSES AND DISTRIBUTIONS
Contributions to gift agreements, including donor advised funds, are reported as income when made, which may be when cash is received, unconditional promises are made or ownership of donated assets is transferred. Fees and other income includes management fees, rent and other miscellaneous income and is recognized as earned. Noncash gifts are recorded at their estimated fair market value at the date of donation. Investment income is recognized when earned.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

2. <u>SIGNIFICANT ACCOUNTING POLICIES, continued:</u>

SUPPORT, REVENUE, EXPENSES AND DISTRIBUTIONS, continued
Grants to qualified organizations in accordance with various gift agreements are recognized when the grants are approved by the Foundation or upon maturity of the agreement at the donor's death. Earnings payable represent endowment distributions and trust payments owed but unpaid at year end. Operating expenses are recognized when incurred in accordance with the accrual basis of accounting and include certain costs associated with administration of gift agreements. The costs of providing various program services and supporting activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. A portion of planned giving expenses represents fund-raising expenses.

Advertising costs are expensed as incurred and totaled $ 60,629 and $57,198 for the years ended December 31, 2016 and 2015, respectively.

UNCERTAIN TAX POSITIONS
The financial statement effects of a tax position taken or expected to be taken are recognized in the combined financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon an examination. Interest and penalties, if any, are included in expenses in the combined statements of activities. As of December 31, 2016, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the combined financial statements.

RECLASSIFICATIONS
Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS
The Financial Accounting Standards Board recently issued an accounting standards update to the *Fair Value Measurement* topic of the Accounting Standards Codification. The update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The update also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Organization early adopted this accounting standards update during the year ended December 31, 2016. The only impact was the removal of investments measured using net asset value as a practical expedient for measuring fair value from the fair value hierarchy in Note 16.

3. INVESTMENTS:

Investments consist of the following:

	December 31, 2016	December 31, 2015
At fair value:		
Money market funds	$ 7,725,910	$ 3,344,272
Certificates of deposit	1,883,207	2,177,481
U.S. Government securities	4,126,524	4,233,495
Corporate Bonds	12,897,428	15,429,020
Equities	29,892,929	29,443,719
Mutual funds	18,484,593	17,423,725
Mortgage pools	4,152,135	4,045,885
CMO and asset backed securities	655,469	1,180,044
Non-publicly traded securities and limited partnership interests	642,773	652,730
Real estate	5,968,983	6,273,860
Cash value life insurance	1,404,210	1,690,682
Commodities	109,250	-
Personal property	236,640	-
	88,180,051	85,894,913
At Cost:		
Denominational loan fund certificates	12,312,676	14,289,458
Certificate of deposit	270,791	267,962
	12,583,467	14,557,420
At net asset value:		
Limited partnership	1,683,054	1,612,828
At other than fair value:		
Loans receivable	214,030	223,141
	102,660,602	102,288,302
Less:		
Investments held for endowment	(31,258,132)	(28,240,194)
Assets held in trust	(15,719,213)	(16,371,972)
	$ 55,683,257	$ 57,676,136

Investment income consists of the following for the years ended:

	December 31, 2016	December 31, 2015
Interest and dividend income	$ 1,494,121	$ 1,468,095
Net realized and unrealized gains (losses)	1,324,708	(896,970)
Investment management and custodial fees	(251,479)	(345,406)
	$ 2,567,350	$ 225,719

4. LOANS RECEIVABLE, NET:

A summary of loans receivable classified by interest rates is as follows:

	December 31, 2016	December 31, 2015
4 1/2% or less	$ 3,954,513	$ 2,948,994
over 4 1/2 to 5 1/2%	64,086,428	57,016,039
over 5 1/2 to 6 1/2%	7,514,441	11,896,247
	75,555,382	71,861,280
Allowance for losses	(2,717,612)	(2,717,612)
	$ 72,837,770	$ 69,143,668
Allowance for losses:		
Beginning of year	$ 2,717,612	$ 2,717,612
Provision for losses	-	-
Write-downs	-	-
Reduction of allowance due to foreclosure	-	-
End of Year	$ 2,717,612	$ 2,717,612

The Fund evaluates loans for impairment on an individual basis if the loan is more than 90 days delinquent. These loans are then given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans are evaluated for allowance on a collective basis. At December 31, 2016, all loans were collectively evaluated and no impairment was noted.

Status for performing and nonperforming real estate loans is based on payment activity for the year. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 60 days in the previous month. The following table presents credit exposure by performance statue:

	December 31, 2016	December 31, 2015
Performing	$ 75,555,382	$ 71,861,280
Nonperforming	-	-
	$ 75,555,382	$ 71,861,280

The Fund classifies loans as past due if the loan is more than 30 days past due but less than 90 days delinquent. There were no past due loans or loans classified as delinquent or impaired as of December 31, 2016 and 2015.

4. LOANS RECEIVABLE, NET, continued:

Loans receivable at December 31, 2016, will mature as follows:

Year	Amount
2017	$ 3,598,110
2018	9,522,064
2019	3,397,360
2020	3,147,187
2021	2,805,441
Thereafter	53,085,220
	$ 75,555,382

As of December 31, 2016, the Fund had one unsecured loan totaling $11,853 and five loans totaling $160,096 that were secured by third party guarantees. The loans receivable earn interest at fixed or variable rates which ranged from 2.60 percent to 6.50 percent at December 31, 2016.

The Fund had 128 loans at December 31, 2016. Although the Fund has no geographic restrictions within the United States on where loans are made, aggregate loans in excess of five percent of total balances at December 31, 2016, were located in the following states:

State	Number of Loans	Principal Outstanding	Percent of Loan Portfolio
Washington	18	$ 14,657,304	19%
California	37	14,582,275	19%
Oregon	10	11,154,224	15%
Utah	4	9,005,970	12%
North Carolina	7	4,809,199	6%
Arizona	4	3,847,815	5%
	80	$ 58,056,787	76%

4. LOANS RECEIVABLE, NET, continued:

At December 31, 2016, the Fund had 100 borrowers with balances as follows:

Loan Balance	Number of Borrowers	Principal Outstanding	Percent of Loan Portfolio
$0 - $500,000	61	$ 8,442,185	11%
$ 500,001 - $1,000,000	15	10,747,535	14%
$1,000,001 - $1,500,000	7	9,111,976	12%
$1,500,001 - $2,000,000	7	11,903,217	16%
$2,000,001 - $2,500,000	2	4,082,009	5%
$2,500,001 - $3,000,000	3	7,968,678	11%
Over $3,000,000	5	23,299,782	31%
	100	$ 75,555,382	100%

Although the Fund has a diverse portfolio of loans primarily to Mennonite Brethren churches, organizations and qualified church workers, concentrations of credit risk exist with respect to individually significant borrowers, which are defined as those exceeding five percent of the total loan portfolio. At December 31, 2016, there were two individually significant borrowers whose balances totaled $13,005,970.

5. ASSETS HELD IN TRUST:

The Organization administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Organization's use. The portion of the trust attributable to the future interest of the Organization is recorded in the combined statements of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the Organization's combined statements of financial position. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a stated contract rate and applicable mortality tables.

The assets of the remainder trust funds are invested in the following:

	December 31,	
	2016	2015
Money market funds	$ 431,225	$ 291,342
Equities, equity and bond funds	12,408,225	12,574,152
Corporate bonds	31,332	30,698
Real estate	2,164,867	2,444,867
Cash value life insurance	587,827	929,546
Loans receivable	95,737	101,367
	$ 15,719,213	$ 16,371,972

The above amounts are included as assets of the Foundation.

5. ASSETS HELD IN TRUST, continued:

Liabilities and net assets held in trust consist of:

	December 31, 2016	December 31, 2015
Irrevocable charitable beneficiary - payment liability	$ 1,472,017	$ 1,481,425
Revocable charitable beneficiary (liability equals assets)	12,762,983	13,477,782
	14,235,000	14,959,207
Temporarily restricted net assets for irrevocable charitable remainder trusts	1,484,213	1,412,765
	$ 15,719,213	$ 16,371,972

6. CHANGE IN VALUE OF CHARITABLE GIFT ANNUITIES AND TRUSTS

Change in value consists of the following for the years ended:

	December 31, 2016	December 31, 2015
Change in Value of Charitable Gift Annuities:		
Interest and dividends	$ 134,535	$ 134,895
Net realized and unrealized gains (losses)	344,746	(140,319)
Actuarial change	104,594	236,437
Maturities	57,411	242,486
Transfer to endowment upon maturity of annuity	(9,099)	(437,471)
Payments and distributions (including miscellaneous expenses)	(535,180)	(610,531)
	97,007	(574,503)
Change in Value of Charitable Trusts (Irrevocable Beneficiary):		
Interest and dividends	65,372	64,532
Net realized and unrealized gains (losses)	142,055	(72,341)
Actuarial change	24,554	157,037
Payments (including miscellaneous expenses)	(184,087)	(195,157)
	47,893	(45,929)
Total change in value of annuities and trusts	$ 144,900	$ (620,432)

7. INVESTMENT CERTIFICATES:

The Fund issues certificates, which are the Fund's unsecured debt securities, to Mennonite Brethren churches, organizations and members that invest in the Fund. Certificates are redeemable at the end of the terms ranging from one to five years or on demand and earn interest at variable rates (from 0.35% to 2.50% at December 31, 2016). The Fund was indebted on investment certificates as summarized below:

	December 31,	
	2016	2015
Demand:		
Advantage	$ 11,178,879	$ 13,455,969
Demand	3,317,195	2,912,178
	14,496,074	16,368,147
Term:		
One year	11,739,333	14,985,571
Two year	7,109,549	5,824,313
Three year	5,587,237	6,013,990
Four year	1,090,095	1,837,707
Five year	23,190,146	20,416,409
	48,716,360	49,077,990
	$ 63,212,434	$ 65,446,137

Amounts are presented in the schedule below based on the year in which the investment certificates are scheduled to mature. Notwithstanding the foregoing, demand certificates below are payable upon 30 days written notice; term certificates may not be redeemed without the Fund's consent before they mature and any redemptions prior to maturity are subject to substantial penalties.

Year of Maturity	Amount
Demand	$ 14,496,074
2017	20,894,752
2018	10,385,025
2019	5,295,703
2020	4,867,063
2021	7,273,817
	$ 63,212,434

7. INVESTMENT CERTIFICATES, continued:

At December 31, 2016, the Fund had a total of 180 investor households with aggregate investment certificate balances of $100,000 or more as follows:

Certificate Balances	Number of Investor Households	Aggregate Balances	Percent of Certificate Balances Outstanding
$100,000 - $200,000	99	$ 13,375,928	21%
$200,001 - $300,000	40	9,867,832	16%
$300,001 - $500,000	25	9,868,599	16%
Greater than $500,000	13	14,698,428	23%
Related parties (Note 12)	3	751,165	1%
	180	$ 48,561,952	77%

At December 31, 2016, the Fund had 1,387 certificates total, with the primary concentrations by state as follows:

State	Number of Certificates	Aggregate Investment Certificate Balances	Percent of Certificate Balances Outstanding
California	391	$ 24,924,292	39%
Kansas	589	22,898,674	36%
Oklahoma	183	8,397,039	13%
	1,163	$ 56,220,005	88%

8. PENSION FUNDS HELD FOR OTHERS:

Pension funds held for others represents funds held by the Foundation for MB Mission (an affiliated entity). The Organization holds these funds for MB Mission for purposes of making pension disbursements on its behalf. A corresponding amount is included in assets which offsets this liability (accounted for as agency funds).

9. NET ASSETS:

Temporarily restricted net assets consist of the following:

	December, 31	
	2016	2015
Unitrusts - restricted beneficiaries	$ 1,484,213	$ 1,412,765
Life estates	1,887,179	1,808,192
Term endowments	2,358,815	2,381,636
Unexpended endowment income	1,561,612	1,204,344
Other	97,640	94,881
	$ 7,389,459	$ 6,901,818

Permanently restricted net assets consist of the following:

	2016	2015
Endowment	$ 22,227,082	$ 20,328,951
Annuities - restricted for endowment	65,564	59,592
	$ 22,292,646	$ 20,388,543

10. CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, marketable securities and loans receivable.

From time to time, cash deposits are in excess of FDIC insured limits; while management is mindful of the FDIC limits, they realize that cash balances generated in ordinary course of business will generally exceed FDIC insured limits. At December 31, 2016, approximately $76.5 million of the Organization's investment portfolio was held by the investment management firm of Charles Schwab & Co., Inc. The Organization has not experienced any losses on these accounts and does not believe it is exposed to any significant risk of loss related to these.

Concentrations of credit risk with respect to loans receivable are limited to a certain extent by the secured position of the Fund in most instruments, the number of organizations comprising the Fund’s loans receivable base and their dispersion across geographic areas, and the Fund’s policy of limiting the maximum loan amount to any one borrower. As described in Note 2, the Fund’s policy is to limit loans primarily to Mennonite Brethren churches, organizations and qualified church workers. At December 31, 2016, approximately 70% of the loans were to qualified organizations, 5% were to qualified church workers and 25% were to other organizations. Loans made by the Fund are typically secured by first mortgages and are normally limited to 75% of the aggregate cost or value of the property securing the loan. As described in Note 4, the Fund also had $171,949 in unsecured loans or loans secured by third party guarantees. While the Fund may be exposed to credit losses in the event of nonperformance by the above contracting parties, management has established an allowance for potential loan losses, which it believes is adequate to cover any such losses.

A substantial portion of the investment certificates issued by the Fund are demand instruments or will be maturing within the next two years. The Fund has insufficient liquid assets to satisfy repayment of this amount. Management anticipates, similar to past history, that a substantial portion of these certificates will be reinvested or rolled over into new certificates with the Fund.

11. RETIREMENT PLAN:

The Organization contributed a combined 6% of annual compensation for all eligible employees to the United States Conference Retirement Plan for Church Workers. The contributions to this plan totaled $9,789 and $37,102 for 2016 and 2015, respectively. Effective May 1, 2016, the Fund switched to a 403(b) plan sponsored by the Foundation. The Organization contributes 6% of annual compensation for full-time employees working 20 hours or more a week. Employer contributions totaled $29,877 during 2016.

12. RELATED PARTY TRANSACTIONS:

Some of the Organization's board members also serve on the boards of the U.S. Conference of Mennonite Brethren Churches (U.S. Conference) and boards of the district conferences. From time to time the Fund may have loans or certificates outstanding with the U.S. Conference and the district conferences.

The Fund offers a Home Loan program in which loans are available for the purchase or construction of primary residences in the United States for qualified church, district and conference employees. In addition, it is available to the Fund's staff as a benefit of employment. Board members, who are otherwise eligible, may participate in the Home Loan program. At December 31, 2016, the Fund had three loans with an outstanding combined balance of $194,642, with a weighted average interest rate of 3.17%, with three officers. As of that same date, the Fund had two loans outstanding to two employees with an outstanding combined balance of $151,701 with a weighted average interest rate of 3.16%. At December 31, 2016, the Fund had two certificates to the U.S. Conference with a balance of $326,498 and one certificate to the Pacific District Conference with a balance of $128,727 with an interest rate of 0.75%. At December 31, 2016, the Fund also had four certificates totaling $295,940 to a university whose board member is also on the Fund's board. At December 31, 2016, the Fund also had a line of credit loan commitment to the U.S. Conference and Pacific District Conference for a total of $500,000 with an interest rate of 4.70%. The U.S. Conference line of credit balance was $11,853 and the Pacific District Conference was unfunded. At December 31, 2016, the Fund had two loans with an outstanding combined balance of $667,783, with an interest rate of 4.70%, to a church whose pastor is also on the Fund's board.

At December 31, 2015, the Fund had three loans with an outstanding combined balance of $197,769, with a weighted average interest rate of 3.18%, with three officers. As of that same date, the Fund had two loans outstanding to two employees with an outstanding combined balance of $158,267 with a weighted average interest rate of 3.16%. At December 31, 2015, the Fund had two certificates to the U.S. Conference with a balance of $302,452 and one Certificate to the Pacific District Conference with a balance of $128,057 with an interest rate of 0.5%. At December 31, 2015, the Fund also had a line of credit loan commitment to the U.S. Conference and Pacific District Conference for a total of $500,000 with an interest rate of 4.95%. U.S. Conference line of credit balance was $20,310 and Pacific District Conference was unfunded. At December 31, 2015, the Fund had two loans with an outstanding combined balance of $688,176, with an interest rate of 4.95%, to a church whose pastor is also on the Fund's board.

During 2016 and 2015, the Foundation also made a grant totaling $176,988 and $182,022, respectively, to the U.S. Conference.

13. LOAN COMMITMENTS:

In the normal course of business, the Fund makes commitments to extend loans to meet the financing needs of Mennonite Brethren churches, organizations and qualified church workers. At December 31, 2016, the Fund had outstanding commitments of approximately $7,462,700 to fund construction in progress, undrawn lines of credit and real estate mortgages.

Outstanding commitments are letters that outline the terms and conditions of the mortgage to be granted. The total commitment amount does not necessarily represent future cash requirements since construction costs may not total the amount the Fund agreed to lend or the commitments may expire without being fully drawn upon. The Fund's exposure to credit loss, in the event of nonperformance by the churches to which it has extended commitments, is limited to the amount of the commitment. The Fund controls the credit risk of its commitments through credit approvals, limits and monitoring procedures.

14. COMMITMENTS AND CONTINGENCIES:

The Organization entered into a construction agreement during 2016 for the construction of the new office building. As of December 31, 2016, $1,194,421 remained outstanding.

15. ENDOWMENT FUNDS:

The Foundation's endowment consists of approximately 140 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, 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 Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

15. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	$ (65,941)	$ 3,920,427	$ 22,292,646	$ 26,147,132
Board designated funds	5,111,000	-	-	5,111,000
Total funds	$ 5,045,059	$ 3,920,427	$ 22,292,646	$ 31,258,132

Changes in endowment net assets for year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,265,671	$ 3,585,980	$ 20,388,543	$ 28,240,194
Investment return:				
Investment income	99,159	280,163	-	379,322
Net gains (losses) (realized and unrealized)	344,717	927,627	(27,040)	1,245,304
Total investment return	443,876	1,207,790	(27,040)	1,624,626
Contributions	-	493	582,433	582,926
Rental income	-	39,093	-	39,093
Amounts appropriated for expenditure	(307,800)	(834,602)	-	(1,142,402)
Other changes:				
Change in value of annuities	-	-	5,972	5,972
Transfer per donor stipulation	92,008	(78,327)	(1,285)	12,396
Transfer to endowment from trusts			483,988	483,988
Transfer to endowment			-	
from donor advised fund	551,304	-	850,936	1,402,240
Transfer to endowment upon maturity of annuity	-	-	9,099	9,099
	779,388	334,447	1,904,103	3,017,938
Endowment net assets, end of year	$ 5,045,059	$ 3,920,427	$ 22,292,646	$ 31,258,132

15. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	$ (197,416)	$ 3,585,980	$ 20,388,543	$ 23,777,107
Board designated funds	4,463,087	-	-	4,463,087
Total funds	$ 4,265,671	$ 3,585,980	$ 20,388,543	$ 28,240,194

Changes in endowment net assets for year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,626,803	$ 4,407,238	$ 19,358,507	$ 28,392,548
Investment return:				
Investment income	29,604	171,704	-	201,308
Net losses (realized and unrealized)	(298,221)	(259,658)	(42,880)	(600,759)
Total investment return	(268,617)	(87,954)	(42,880)	(399,451)
Contributions	-	50,010	276,172	326,182
Rental income	-	42,000	-	42,000
Amounts appropriated for expenditure	(380,509)	(554,733)	-	(935,242)
Other changes:				
Change in value of annuities	-	-	(5,033)	(5,033)
Transfer per donor stipulation	287,994	(270,581)	(1,300)	16,113
Transfer to endowment			-	
from donor advised fund	-	-	365,606	365,606
Transfer to endowment upon maturity of annuity	-	-	437,471	437,471
	(361,132)	(821,258)	1,030,036	(152,354)
Endowment net assets, end of year	$ 4,265,671	$ 3,585,980	$ 20,388,543	$ 28,240,194

15. ENDOWMENT FUNDS, continued:

	December 31, 2016	December 31, 2015
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by SPMIFA.	$ 22,292,646	$ 20,388,543
Temporarily restricted net assets:		
Term endowments	$ 2,358,815	$ 2,381,636
The portion of perpetual endowment funds subject to a time restriction under SPMIFA with purpose restrictions	1,561,612	1,204,344
Total endowment funds classified as temporarily restricted net assets	$ 3,920,427	$ 3,585,980

Funds with Deficiencies:
From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $65,941 and $197,416 as of December 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters:
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow the corpus above the inflation rate. The Foundation expects its endowment funds, over time, to provide an average rate of return of between 6.5% and 9% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives:
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

15. ENDOWMENT FUNDS, continued:

Spending Policy and How the Investment Objectives Related to Spending Policy:

The Foundation has a policy of appropriating for distribution each year 4% percent of its endowment fund's average fair value over the 3 previous calendar year ends. In establishing this policy, the Foundation considered long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.75% to 4.25%. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

16. FAIR VALUE MEASUREMENTS AND DISCLOSURES:

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. The valuations for each of these levels are determined as follows:

Level 1 **-** Quoted prices for identical instruments traded in active markets.

Level 2 **-** Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 **-** Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

16. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2016:

	Total	Level 1	Level 2	Level 3
Corporate Bonds:				
AAA	$ 91,593	$ -	$ 91,593	$ -
AA	844,803	-	844,803	-
A	4,423,525	-	4,423,525	-
BBB	7,537,507	-	7,537,507	-
	12,897,428	-	12,897,428	-
Equities:				
Consumer goods	6,341,820	6,341,820	-	-
Industrials goods	2,435,433	2,435,433	-	-
Materials	1,871,198	1,871,198	-	-
Communication services	1,306,228	1,306,228	-	-
Energy	3,145,925	3,145,925	-	-
Real estate	122,171	122,171	-	-
Technology	4,604,998	4,604,998	-	-
Healthcare	2,326,873	2,326,873	-	-
Utilities	3,490,771	3,490,771	-	-
Financial	4,247,512	4,247,512	-	-
	29,892,929	29,892,929	-	-
Mutual Funds:				
Foreign large blend	4,388,577	4,388,577	-	-
Foreign large value	11,746	11,746	-	-
Small value	149,151	149,151	-	-
Small growth	3,531,477	3,531,477	-	-
Medium value	23,648	23,648	-	-
Large blend	525,296	525,296	-	-
Large value	366,479	366,479	-	-
Large growth	346,677	346,677	-	-
Real estate	4,275,813	4,275,813	-	-
Bond funds	4,865,729	4,865,729	-	-
	18,484,593	18,484,593	-	-
Money market funds	7,725,910	7,725,910	-	-
Certificates of deposit	1,883,207	-	1,883,207	-
US Government securities	4,126,524	-	4,126,524	-
Mortgage pool	4,152,135	-	4,152,135	-
CMO & Asset backed securities	655,469	-	655,469	-
Non-publicly traded securities and limited partnership interests	642,773	-	642,773	-
Real estate	5,968,983	-	5,968,983	-
Cash value life insurance	1,404,210	-	1,404,210	-
Commodities	109,250	-	109,250	-
Personal property	236,640	-	236,640	-
	26,905,101	7,725,910	19,179,191	-
	$ 88,180,051	$ 56,103,432	$ 32,076,619	$ -

16. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2015:

	Total	Level 1	Level 2	Level 3
Corporate Bonds:				
AAA	$ 47,128	$ -	$ 47,128	$ -
AA	1,491,515	-	1,491,515	-
A	4,908,003	-	4,908,003	-
BBB	8,982,374	-	8,982,374	-
	15,429,020	-	15,429,020	-
Equities:				
Consumer goods	8,121,878	8,121,878	-	-
Industrials goods	2,507,311	2,507,311	-	-
Materials	1,197,954	1,197,954	-	-
Communication services	1,058,460	1,058,460	-	-
Energy	1,968,303	1,968,303	-	
Technology	5,265,744	5,265,744	-	-
Healthcare	3,184,112	3,184,112	-	-
Utilities	2,873,722	2,873,722	-	-
Financial	3,266,235	3,266,235	-	-
	29,443,719	29,443,719	-	-
Mutual Funds:				
Foreign large blend	4,595,452	4,595,452	-	-
Foreign large value	12,026	12,026	-	-
Small value	74,104	74,104	-	-
Small growth	2,987,038	2,987,038	-	-
Medium value	20,065	20,065	-	-
Large blend	672,771	672,771	-	-
Large value	228,712	228,712	-	-
Large growth	252,960	252,960	-	-
Real estate	4,263,156	4,263,156	-	-
Bond funds	4,317,441	4,317,441	-	-
	17,423,725	17,423,725	-	-
Money market funds	3,344,272	3,344,272	-	-
Certificates of deposit	2,177,481	-	2,177,481	-
US Government securities	4,233,495	-	4,233,495	-
Mortgage pool	4,045,885	-	4,045,885	-
CMO & Asset backed securities	1,180,044	-	1,180,044	-
Non-publicly traded securities and limited partnership interests	652,730	-	652,730	-
Real estate	6,273,860	-	6,273,860	-
Cash value life insurance	1,690,682	-	1,690,682	-
	23,598,449	3,344,272	20,254,177	-
	$ 85,894,913	$ 50,211,716	$ 35,683,197	$ -

16. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The Organization uses Net Asset Value (NAV) to determine the fair value of all investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category in accordance with the *Fair Value Measurements and Disclosure* topic of the ASC as of December 31, 2016 and 2015:

	Fair Value at December 31,		Redemption	Redemption
	2016	2015	Restrictions	Notice Period
Limited partnership (a)	$ 1,683,054	$ 1,612,828	No lockup restrictions	End of month on 15 days' prior written notice

(a) Altegris Winton Futures Fund L.P. (Partnership) consists of speculatively traded commodity futures contracts, options on futures contracts, forward contracts and other commodity interests. The objective of the Partnership's business is appreciation of its assets.

There were no unfunded commitments as of December 31, 2016 and 2015.

The following disclosure of estimated fair value of financial instruments is made in accordance with the *Financial Instruments* topic of the ACS. The estimated fair value of financial instruments, based on available market information and appropriate valuation methodologies, as of December 31, 2016 and 2015, are presented below.

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 1,201,470	$ 1,201,470	$ 1,666,812	$ 1,666,812
Investments	$ 55,683,257	$ 55,683,257	$ 57,676,136	$ 57,676,136
Loans receivable	$ 72,837,770	$ 72,837,770	$ 69,143,668	$ 69,143,668
Interest receivable	$ 245,726	$ 245,726	$ 236,618	$ 236,618
Assets held in trust	$ 15,719,213	$ 15,719,213	$ 16,371,972	$ 16,371,972
Investments held for endowment	$ 31,258,132	$ 31,258,132	$ 28,240,194	$ 28,240,194
Liabilities:				
Investment certificates	$ 63,212,434	$ 63,412,774	$ 65,446,137	$ 65,646,051
Trust liability	$ 14,235,000	$ 14,235,000	$ 14,959,207	$ 14,959,207
Annuities payable	$ 2,910,230	$ 2,910,230	$ 2,678,242	$ 2,678,242
Endowments held for others	$ 38,992,688	$ 38,992,688	$ 38,337,749	$ 38,337,749
Pension funds held for others	$ 381,532	$ 381,532	$ 403,587	$ 403,587

16. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments at December 31, 2016 and 2015:

Cash and cash equivalents and interest receivable: The carrying amounts approximate fair value due to the short-term maturity of these instruments.

Investments, assets held in trust and investments held for endowment: The basis of the fair values of investments is described in Note 2.

Estate receivable: Fair value approximates carrying value based on the valuation of the underlying assets.

Loans receivable: The Fund generally makes variable rate loans which allow for periodic rate adjustment. The Board of Directors reviews the interest rates on these loans periodically and may raise or lower them based on market conditions and other factors. The rates were adjusted to current lending rates at the first of the year there fore the carrying amount approximates fair value.

Investment certificates: The fair values disclosed for certificates payable on demand are, by definition, equal to the amount payable on demand at the reporting date. The fair values for all other certificates are estimated using a discounted cash flow calculation that applies interest rates offered on certificates at December 31, 2016 and 2015, to a schedule of aggregated contractual maturities on such certificates. At December 31, 2016, the interest rates used in this calculation ranged from 1.50% to 2.50%. At December 31, 2015, interest rates used in this calculation ranged from 1.25% to 2.25%.

Note payable: Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

Trust liability, annuities payable, endowments held for others and pension funds held for others: The fair value is based on the present value of future cash flows to income beneficiaries, annuitants and other remainderman, respectively, using published mortality rate tables adopted by the IRS at an assumed rate of return of 6%.

17. PRIOR PERIOD RESTATEMENTS:

During the year ended December 31, 2016, it was determined that a property held for endowment was improperly recorded as a temporarily restricted net asset rather than a permanently restricted net asset to be held in perpetuity. In addition, the activity related to the endowment was improperly accounted for by the Foundation. These errors occurred prior to the year ended December 31, 2014. Accordingly, a prior period adjustment has been recorded. The following summarizes the adjustment made to each affected combined financial statement line item:

	As Previously Stated	Prior Period Adjustment	As Restated
January 1, 2015			
Combined statements of financial position:			
Investments	$ 51,275,472	$ (1,363,040)	$ 49,912,432
Investments held for endowment	$ 27,029,508	$ 1,363,040	$ 28,392,548
Net assets:			
Temporarily restricted	$ 8,495,564	$ (1,363,040)	$ 7,132,524
Permanently restricted	$ 17,995,467	$ 1,363,040	$ 19,358,507
December 31, 2015			
Combined statements of financial position:			
Investments	$ 58,996,296	$ (1,320,160)	$ 57,676,136
Investments held for endowment	$ 26,920,034	$ 1,320,160	$ 28,240,194
Net assets:			
Temporarily restricted	$ 8,221,978	$ (1,320,160)	$ 6,901,818
Permanently restricted	$ 19,068,383	$ 1,320,160	$ 20,388,543
Combined statements of activities - year ended December 31, 2015:			
Support and revenue:			
Fees and other:			
Unrestricted	$ 907,256	$ (42,000)	$ 865,256
Temporarily restricted	-	42,000	42,000
	$ 907,256	$ -	$ 907,256
Investment income:			
Temporarily restricted	$ (130,834)	$ 42,880	$ (87,954)
Permanently restricted	-	(42,880)	(42,880)
	$ (130,834)	$ -	$ (130,834)
Reclassifications:			
Net assets released from purpose restrictions:			
Unrestricted	$ 512,733	$ 42,000	$ 554,733
Temporarily restricted	(512,733)	(42,000)	(554,733)
	$ -	$ -	$ -
Change in net assets:			
Unrestricted	$ 1,427,334	$ -	$ 1,427,334
Temporarily restricted	(273,586)	42,880	(230,706)
Permanently restricted	1,072,916	(42,880)	1,030,036
	$ 2,226,664	$ -	$ 2,226,664

18. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

We have audited the combined financial statements of Mennonite Brethren Foundation and Affiliate as of and for the years ended December 31, 2016 and 2015, and our report thereon dated May 4, 2017, which expressed an unmodified opinion on those combined financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Capin Crouse LLP

Wheaton, Illinois
May 4, 2017

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Wheaton, IL 60187
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MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Combining Statement of Financial Position
December 31, 2016

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
ASSETS:				
Cash and cash equivalents	$ 370,470	$ 831,000	$ -	$ 1,201,470
Investments	57,607,787	26,915,830	(28,840,360)	55,683,257
Loans receivable, net	-	72,837,770	-	72,837,770
Interest receivable	-	245,726	-	245,726
Prepaid expenses and other	17,274	369,698	(2,003)	384,969
Property and equipment, net	72,373	1,024,261	-	1,096,634
Assets held in trust	15,719,213	-	-	15,719,213
Investments held for endowment	31,258,132	-	-	31,258,132
	$ 105,045,249	$ 102,224,285	$ (28,842,363)	$ 178,427,171
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	$ 109,512	$ 9,797	$ (2,003)	$ 117,306
Construction payable	-	325,757	-	325,757
Earnings payable	48,172	-	-	48,172
Certificates payable	-	92,052,794	(28,840,360)	63,212,434
Trust liability	14,235,000	-	-	14,235,000
Annuities payable - actuarial liability	2,910,230	-	-	2,910,230
Funds held for others	38,992,688	-	-	38,992,688
Pension funds held for others	381,532	-	-	381,532
	56,677,134	92,388,348	(28,842,363)	120,223,119
Net assets:				
Unrestricted:				
Board designated for endowment	5,111,000	-	-	5,111,000
Board designated for administration	410,896	225,000	-	635,896
Net investment in property and equipment	72,373	698,504	-	770,877
Undesignated	13,091,741	8,912,433	-	22,004,174
Temporarily restricted	7,389,459	-	-	7,389,459
Permanently restricted	22,292,646	-	-	22,292,646
	48,368,115	9,835,937	-	58,204,052
	$ 105,045,249	$ 102,224,285	$ (28,842,363)	$ 178,427,171

See notes to combined financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Combining Statement of Activities
Year Ended December 31, 2016

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS:				
Revenues:				
Interest on loans receivable	$ -	$ 3,790,952	$ -	$ 3,790,952
Contributions	4,839,242	-	(675,000)	4,164,242
Investment income	848,713	764,359	(226,472)	1,386,600
Annuity contributions received	311,572	-	-	311,572
Change in value of charitable gift annuities	91,795	-	-	91,795
Fees and other	1,099,253	18,756	-	1,118,009
Reimbursements from MB Loan Fund	74,231	-	(74,231)	-
	7,264,806	4,574,067	(975,703)	10,863,170
Reclassifications:				
Net assets released from purpose restrictions	834,602	-	-	834,602
Transfer per donor stipulation	(1,264,411)	-	-	(1,264,411)
	6,834,997	4,574,067	(975,703)	10,433,361
Expenses:				
Program	3,154,673	3,228,381	(967,406)	5,415,648
Management and general	765,742	113,187	(7,560)	871,369
Planned giving activities	249,020	-	(737)	248,283
	4,169,435	3,341,568	(975,703)	6,535,300
Change in Unrestricted Net Assets	2,665,562	1,232,499	-	3,898,061
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Unitrust contributions received	23,556	-	-	23,556
Contributions	4,011	-	-	4,011
Fees and other	39,093			39,093
Investment income	1,207,790	-	-	1,207,790
Change in value of deferred gifts	78,987	-	-	78,987
Change in value of charitable trust agreements	47,893	-	-	47,893
Change in value of charitable gift annuities	(760)	-	-	(760)
Net assets released from restrictions	(834,602)	-	-	(834,602)
Transfer per donor stipulation	(78,327)			(78,327)
Change in Temporarily Restricted Net Assets	487,641	-	-	487,641
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:				
Contributions	582,433	-	-	582,433
Investment income	(27,040)	-	-	(27,040)
Change in value of charitable gift annuities	5,972	-	-	5,972
Transfer per donor stipulation	1,342,738	-	-	1,342,738
Change in Permanently Restricted Net Assets	1,904,103	-	-	1,904,103
Change in Net Assets	5,057,306	1,232,499	-	6,289,805
Net Assets, Beginning of Year:	43,310,809	8,603,438	-	51,914,247
Net Assets, End of Year	$ 48,368,115	$ 9,835,937	$ -	$ 58,204,052

See notes to combined financial statements