

MENNONITE BROTHERS FOUNDATION AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2020 and 2019

MENNONITE BROTHERS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

We have audited the accompanying consolidated financial statements of Mennonite Brethren Foundation and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mennonite Brethren Foundation and Affiliate as of December 31, 2020 and 2019, and the changes in its consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Capin Crouse LLP".

Naperville, Illinois
April 26, 2021

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidated Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 1,796,347	\$ 1,446,410
Investments	134,792,907	104,724,669
Interest receivable	416,198	389,750
Prepaid expenses and other	430,421	364,946
Contributions receivable	340,000	-
Loans receivable, net	96,361,655	82,039,932
Assets held in trust	22,110,082	20,756,621
Investments held for endowment	41,675,622	39,884,958
Property and equipment, net	2,086,411	2,139,399
	\$ 300,009,643	\$ 251,746,685
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 531,138	\$ 401,120
Earnings payable	36,101	39,029
Investment certificates	87,577,797	74,866,610
Trust liability	20,039,579	18,791,934
Annuities payable	3,170,306	3,184,054
Funds held for others	56,244,113	43,285,818
Pension funds held for others	228,349	240,548
	167,827,383	140,809,113
Net assets:		
Net assets without donor restrictions	91,367,588	72,486,277
Net assets with donor restrictions:		
Restricted by purpose or time	13,542,061	11,445,637
Restricted in perpetuity	27,272,611	27,005,658
	40,814,672	38,451,295
	132,182,260	110,937,572
Total Liabilities and Net Assets	\$ 300,009,643	\$ 251,746,685

See notes to consolidated financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Interest on loans receivable	\$ 4,648,858	\$ -	\$ 4,648,858	\$ 4,499,180	\$ -	\$ 4,499,180
Contributions	19,796,145	957,047	20,753,192	19,119,354	418,224	19,537,578
Fees and other	1,345,200	25,187	1,370,387	1,214,799	25,128	1,239,927
Investment income	5,435,292	2,402,364	7,837,656	6,949,001	4,827,551	11,776,552
Change in value of annuities and trust	335,675	112,715	448,390	848,631	265,599	1,114,230
Change in value of deferred gifts		441,819	441,819	-	411,420	411,420
	<u>31,561,170</u>	<u>3,939,132</u>	<u>35,500,302</u>	<u>32,630,965</u>	<u>5,947,922</u>	<u>38,578,887</u>
RECLASSIFICATIONS:						
Net assets released from purpose restrictions	1,919,517	(1,919,517)	-	1,357,756	(1,357,756)	-
Transfer per donor stipulation	(343,762)	343,762	-	(1,627,513)	1,627,513	-
	<u>1,575,755</u>	<u>(1,575,755)</u>	<u>-</u>	<u>(269,757)</u>	<u>269,757</u>	<u>-</u>
EXPENSES:						
Program services	12,868,661	-	12,868,661	8,663,864	-	8,663,864
Supporting activities:						
Management and general	1,386,953	-	1,386,953	1,465,554	-	1,465,554
	<u>14,255,614</u>	<u>-</u>	<u>14,255,614</u>	<u>10,129,418</u>	<u>-</u>	<u>10,129,418</u>
Change in net assets	<u>18,881,311</u>	<u>2,363,377</u>	<u>21,244,688</u>	<u>22,231,790</u>	<u>6,217,679</u>	<u>28,449,469</u>
Net assets, beginning of year:	<u>72,486,277</u>	<u>38,451,295</u>	<u>110,937,572</u>	<u>50,254,487</u>	<u>32,233,616</u>	<u>82,488,103</u>
Net assets, end of year	<u>\$ 91,367,588</u>	<u>\$ 40,814,672</u>	<u>\$ 132,182,260</u>	<u>\$ 72,486,277</u>	<u>\$ 38,451,295</u>	<u>\$ 110,937,572</u>

See notes to consolidated financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Statement of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,244,688	\$ 28,449,469
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	79,592	74,744
Net realized and unrealized gain on investment	(5,951,131)	(9,732,048)
Maturities of charitable gift annuities	(53,861)	(259,178)
Charitable gift annuity actuarial change	(109,157)	(181,050)
Change in value of charitable trust	(105,817)	(255,131)
Interest reinvested in investment certificate	1,354,727	1,514,111
Donated real estate	(7,957,000)	(96,000)
Endowment contributions	(92,953)	-
Changes in:		
Interest receivable	(26,448)	(111,793)
Prepaid expenses and other	(65,475)	218,582
Contributions receivable	(340,000)	-
Accounts payable and accrued expenses	130,018	377,613
Earnings payable	(2,928)	(2,651)
Pension funds held for other	(12,199)	(11,861)
Net Cash Provided by Operating Activities	8,092,056	19,984,807
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment	72,046,662	60,496,870
Purchase of investment	(77,142,920)	(95,141,264)
Loan advances	(26,205,173)	(9,496,836)
Loan principle received	11,883,450	14,636,545
Sale of investments for charitable gift annuity	450,514	447,166
Purchase of property and equipment	(26,604)	(65,707)
Net Cash Used by Investing Activities	(18,994,071)	(29,123,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of investment certificate	41,457,566	31,752,865
Redemptions of investment certificate	(30,101,106)	(23,084,766)
Face value of new annuity and trust agreement	315,000	655,000
Gift portion of new charitable gift annuity	(165,730)	(340,324)
Payments on charitable gift annuities and trust	(657,897)	(634,151)
Investment income on assets held in trust	311,166	559,936
Endowment contributions	92,953	-
Net Cash Provided by Financing Activities	11,251,952	8,908,560
Net Change in Cash and Cash Equivalents	349,937	(229,859)
Cash and Cash Equivalents, Beginning of Year	1,446,410	1,676,269
Cash and Cash Equivalents, End of Year	\$ 1,796,347	\$ 1,446,410
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 175,617	\$ 210,599
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Matured investment certificates reinvested	\$ 22,107,465	\$ 17,189,842

See notes to consolidated financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. NATURE OF ORGANIZATION:

The consolidated 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 consolidated entity is hereinafter referred to as the Organization.

The Foundation is a service agency whose mission is to encourage and assist individuals, congregations and ministries in the Mennonite Brethren community with Biblical financial stewardship solutions. Services provided include planned giving options, 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. 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 primarily to Mennonite Brethren organizations, as well as other organizations that share similar values, for the purpose of facility construction or operational needs; offering to qualified workers of the Mennonite Brethren churches loans for the purpose of purchasing or constructing their residences; raising capital from primarily Mennonite Brethren organizations and individuals; and expressing generosity by making grants from earnings to the Foundation. The Fund's primary means of obtaining funds has been through the issuance of investment certificates.

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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 consolidated 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.

RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform with current year presentation. On the 2019 consolidated statement of cash flows, the gift portion of new charitable gift annuities totaling \$340,324 was reclassified from cash flows from investing activities to cash flows from financing activities.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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. At December 31, 2020 and 2019, the Organization's cash balances exceeded federally insured limits by \$1,503,685 and \$1,258,603, respectively. The Organization has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

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. Investment income and realized and unrealized gains and losses are included in investment income without donor restrictions unless a donor or law temporarily or permanently restricts their use.

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.

LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable consist of loans primarily to Mennonite Brethren organizations and qualified church workers, as well as other organizations that share similar values, 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 five to fifteen years for organization loans, and thirty years for home loans. 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.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES, continued

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 and impaired 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 judgment, the scheduled interest may not be collectable 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.

The Fund may sell participation interests in its loans to third parties from time to time. When the Fund does so, it continues to service the loans and remit a portion of each loan payment it receives from the borrowers to the buyers of the participation interest. The participations are non-recourse, which means that the Fund will have no obligation to repurchase the portion of the loan it sold, and the purchaser will assume the risk of loss on that portion of the loan. Accordingly, the portions of the loans it sells are not included in the outstanding loans receivable.

The Fund may also purchase participation interests in individual loans from third party lenders. Under these loan participation agreements, the third-party lenders maintain all records, collect all payments and remit monthly the appropriate pro rata share of both interest and principal collected on the loans. All loan participations are purchased without recourse and are secured by real property.

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 consist of the following:

	December 31,	
	2020	2019
Office building and land	\$ 2,154,218	\$ 2,154,218
Furniture, fixtures and equipment	241,618	215,014
	2,395,836	2,369,232
Less accumulated depreciation	(309,425)	(229,833)
	<u>\$ 2,086,411</u>	<u>\$ 2,139,399</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

PENSION FUNDS HELD FOR OTHERS:

Pension funds held for others represents funds held by the Foundation for Multiply (an affiliated entity). The Organization holds these funds for Multiply 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).

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 \$8,728,469 and \$8,233,913 at December 31, 2020 and 2019, respectively, including \$2,568,989 and \$2,511,528, respectively, held in trust for California annuitants.

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.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

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

Net assets without donor restrictions 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.

Net assets with donor restrictions 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. These also include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for use with or without donor restrictions.

SUPPORT, REVENUE, EXPENSES AND DISTRIBUTIONS

Contributions of 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 support with donor restriction if they are received with donor stipulations that limit the use of the donated amount. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to new assets without donor restrictions and reported as net assets released from restrictions.

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 consolidated statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Advertising costs are expensed as incurred and totaled \$66,227 and \$62,944 for the year ended December 31, 2020 and 2019, respectively.

RECENTLY ISSUED ACCOUNTING STANDARDS

As of January 1, 2020, the Organization adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Made*. The new standard provides a framework for determining whether a particular transaction is an exchange transaction or a contribution, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. The ASU has been applied on a modified retrospective basis for agreements that were incomplete as of the ASU's effective date or that were entered into after the effective date. There was no adjustment to opening net assets.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS, continued

As of January 1, 2020, the Organization adopted the provisions of FASB ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. The new standard is designed to simplify the disclosures related to fair value measurements. Adoption of this standard had no effect on change in net assets or net assets in total.

3. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2020	2019
At fair value:		
Money market funds	\$ 16,689,075	\$ 13,440,964
Certificates of deposit	990,027	2,401,907
U.S. Government securities	10,566,339	7,734,877
Corporate bonds	21,969,826	17,334,867
Equities	71,908,619	61,104,478
Mutual funds	35,624,904	34,774,074
Mortgage pools	7,727,396	8,057,597
CMO and asset backed securities	1,405,649	1,237,158
Non-publicly traded securities	235,600	374,237
Real estate	10,312,736	3,548,190
Commodities	256,663	280,500
Limited partnerships	-	2,448,996
	177,686,834	152,737,845
At cost:		
Denominational loan fund certificates	13,723,343	8,342,497
Money market funds	1,938,406	-
Certificate of deposit	249,689	-
	15,911,438	8,342,497
At contract value:		
Cash value life insurance	697,189	695,938
	697,189	695,938
At other than fair value:		
Loans receivable	4,283,150	3,589,968
	4,283,150	3,589,968
Less:		
Investments held for endowment	(41,675,622)	(39,884,958)
Assets held in trust	(22,110,082)	(20,756,621)
	\$134,792,907	\$104,724,669

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

3. INVESTMENTS, continued:

Investment income consists of the following for the years ended:

	December 31,	
	2020	2019
Interest and dividend income	\$ 2,420,513	\$ 2,490,155
Net realized and unrealized gains	5,951,131	9,732,048
Investment management and custodial fees	(533,988)	(445,651)
	\$ 7,837,656	\$ 11,776,552

4. LOANS RECEIVABLE, NET:

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

	December 31,	
	2020	2019
4.5% or less	\$ 10,506,166	\$ 11,652,636
over 4.5 to 5.5%	81,547,139	60,806,592
over 5.5 to 6.5%	7,025,962	11,341,269
over 6.5 to 7.5%	-	957,047
	99,079,267	84,757,544
Allowance for losses	(2,717,612)	(2,717,612)
	\$ 96,361,655	\$ 82,039,932
Allowance for losses:		
Beginning of year	\$ 2,717,612	\$ 2,717,612
Write-downs	-	-
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, 2020, all loans were collectively evaluated and no impairment was noted.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

4. LOANS RECEIVABLE, NET, continued:

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 status for the years ended December 31, 2020 and 2019:

	December 31,	
	2020	2019
Performing	\$ 99,079,267	83,206,323
Nonperforming	-	1,551,221
	\$ 99,079,267	\$ 84,757,544

An aging analysis of the principal of past due loans receivable is as follows:

	December 31,	
	2020	2019
Past due:		
Greater than 90 days	\$ -	\$ 1,551,221
Current	99,079,267	83,206,323
	\$ 99,079,267	\$ 84,757,544

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, 2020. At December 31, 2019, the Fund had one delinquent loan with a principal balance of \$1,551,221. The amount of interest and principal payments owing on this delinquent loan was \$59,390. Interest income recognized on this delinquent loan during 2019 was \$97,070. The Fund believes that the collateral related to the delinquent loan will be sufficient to repay the loan balance.

The delinquent loan totaling \$1,551,221 was 1.8% of the Fund's aggregate principal balance of total loans outstanding at December 31, 2019.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

4. LOANS RECEIVABLE, NET, continued:

Loans receivable at December 31, 2020, will mature as follows:

Year	Amount
2021	\$ 2,098,574
2022	7,620,491
2023	7,006,933
2024	11,038,349
2025	5,095,454
Thereafter	66,219,466
	\$ 99,079,267

As of December 31, 2020, the Fund had no unsecured loans and two loans totaling \$1,558,845 secured by other assets. The loans receivable earn interest at fixed or variable rates which ranged from 2.64 percent to 6.25 percent at December 31, 2020.

The Fund had 153 loans at December 31, 2020. 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, 2020, were located in the following states:

State	Number of Loans	Principal Outstanding	Percent of Loan Portfolio
California	55	\$ 34,381,941	35%
Washington	16	12,778,332	13%
Utah	5	8,856,730	9%
Oregon	7	7,160,879	7%
Colorado	6	6,754,679	7%
Arizona	7	4,936,393	5%
	96	\$ 74,868,954	76%

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Notes to Consolidated Financial Statements

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4. LOANS RECEIVABLE, NET, continued:

At December 31, 2020, the Fund had 120 borrowers with balances as follows:

<u>Loan Balance</u>	<u>Number of Borrowers</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
\$0 - \$500,000	74	\$ 11,864,591	12%
\$500,001 - \$1,000,000	16	11,735,969	12%
\$1,000,001 - \$1,500,000	12	15,085,543	15%
\$1,500,001 - \$2,000,000	6	10,287,266	10%
\$2,000,001 - \$2,500,000	7	16,350,389	17%
\$2,500,001 - \$3,000,000	1	2,704,181	3%
Over \$3,000,000	4	31,051,328	31%
	<u>120</u>	<u>\$ 99,079,267</u>	<u>100%</u>

Although the Fund has a diverse portfolio of loans primarily to Mennonite Brethren churches, organizations and qualified individuals, as well as other organizations that share similar values, 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, 2020, there were two individually significant borrowers whose balances totaled \$23,852,929.

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 consolidated statement 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 consolidated statement 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.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

5. ASSETS HELD IN TRUST, continued:

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

	December 31,	
	2020	2019
Money market funds	\$ 417,991	\$ 323,536
Equities, equity and bond funds	20,889,667	19,848,914
Corporate notes	32,000	29,501
Real estate	388,693	187,817
Cash Value life insurance	288,624	289,562
Loans receivable	93,107	77,291
	\$ 22,110,082	\$ 20,756,621

The above amounts are included as assets of the Foundation.

Liabilities and net assets held in trust consist of:

Irrevocable charitable beneficiary - payment liability	\$ 1,358,147	\$ 1,360,181
Revocable charitable beneficiary (liability equals assets)	18,681,432	17,431,754
	20,039,579	18,791,935
Net assets with donor restrictions for irrevocable charitable remainder trusts	2,070,503	1,964,686
	\$ 22,110,082	\$ 20,756,621

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6. CHANGE IN VALUE OF CHARITABLE GIFT ANNUITIES AND TRUSTS:

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

	December 31,	
	2020	2019
Change in Value of Charitable Gift Annuities:		
Interest and dividends	\$ 161,580	\$ 189,555
Net realized and unrealized losses	640,047	946,781
Actuarial change	109,157	181,050
Maturities	53,861	259,178
Transfer to endowment upon maturity of annuity	(22,593)	(48,529)
Payments and distributions (including miscellaneous expenses)	(599,479)	(668,936)
	342,573	859,099
Change in Value of Charitable Trusts (Irrevocable Beneficiary):		
Interest and dividends	66,222	79,524
Net realized and unrealized losses	244,944	480,412
Actuarial change	2,034	(117,820)
Payments (including miscellaneous expenses)	(207,383)	(186,985)
	105,817	255,131
Total change in value of annuities and trusts	\$ 448,390	\$ 1,114,230

7. INVESTMENT CERTIFICATES:

The Fund issues certificates, which are the Fund's unsecured debt securities, to primarily Mennonite Brethren churches, organizations and individuals that invest in the Fund. Certificates are redeemable at end of terms ranging from one to five years or on demand and earn interest at variable rates (from 0.25% to 2.4% at December 31, 2020). The Fund was indebted on investment certificates as summarized below:

	December 31,	
	2020	2019
Demand:		
Advantage	\$ 11,510,896	\$ 11,757,599
Demand	2,492,312	3,917,989
	14,003,208	15,675,588
Term:		
One year	24,089,873	11,373,615
Two year	9,824,123	11,134,614
Three year	8,111,790	6,883,974
Four year	1,459,889	1,376,060
Five year	30,088,914	28,422,759
	73,574,589	59,191,022
	\$ 87,577,797	\$ 74,866,610

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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December 31, 2020 and 2019

7. INVESTMENT CERTIFICATES, continued:

Amounts are presented in the schedule below based on the year in which the investment certificates are scheduled to mature. Notwithstanding the foregoing, the Fund will pay any redemption of an investor's demand certificate within 30 days after receiving the request, although the Fund generally can honor requests much more quickly; 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	\$ 14,003,208
2021	41,676,331
2022	11,345,905
2023	7,954,794
2024	7,351,709
2025	5,245,850
	\$ 87,577,797

At December 31, 2020, the Fund had a total of 230 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	114	\$ 15,501,105	18%
\$200,001 - \$300,000	46	11,212,829	13%
\$300,001 - \$500,000	41	15,747,112	18%
Greater than \$500,000	27	27,677,817	32%
Related parties (Note 11)	2	1,089,312	1%
	230	\$ 71,228,175	81%

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

7. INVESTMENT CERTIFICATES, continued:

At December 31, 2020, the Fund had 1,790 certificates total, with the primary concentrations by state as

State	Number of Certificates	Aggregate Investment Certificate Balances	Percent of Certificate Balances Outstanding
California	500	\$ 31,998,628	37%
Kansas	777	32,445,601	37%
Oklahoma	217	9,628,968	11%
	1,494	\$ 74,073,197	85%

8. NET ASSETS:

Net assets consist of:

	December, 31	
	2020	2019
Net assets without donor restrictions:		
Undesignated	\$ 75,936,934	\$ 57,971,532
Capital adequacy reserve	7,415,544	6,101,223
Board designated endowment	6,078,539	5,780,986
Board designated reserve	1,936,571	2,632,536
Total net assets without donor restrictions	91,367,588	72,486,277
Net assets with donor restrictions		
Subject to expenditure for specified purpose:		
Scholarships and grant	546,682	228,115
Subject to the passage of time:		
Unitrust-restricted beneficiaries	2,070,503	1,964,686
Life estates	2,600,404	2,154,522
	4,670,907	4,119,208
Subject to Foundation's spending policy and appropriations:		
Accumulated gains	5,443,560	4,349,116
Term endowments	2,880,912	2,749,198
Endowment funds restricted in perpetuity	27,231,123	26,966,737
	35,555,595	34,065,051
Subject to restriction in perpetuity:		
Annuity funds-restricted for endowment	41,488	38,921
Total net assets with donor restrictions	40,814,672	38,451,295
Total net assets	\$132,182,260	\$110,937,572

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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8. NET ASSETS, continued:

The Foundation's governing board through specific action has created self-imposed limits on net assets without donor restrictions. The board has set aside \$8,015,110 and \$8,413,522 for the following purposes as of December 31, 2020 and 2019, respectively. These net assets can be drawn upon if the board approves such action.

	December 31,	
	2020	2019
For investment as a board-designated endowment	\$ 6,078,539	\$ 5,780,986
Operating reserves	1,888,420	2,579,260
For special projects	48,151	53,276
	<u>\$ 8,015,110</u>	<u>\$ 8,413,522</u>

9. 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, 2020, approximately \$165.6 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 4, the Fund's policy is to make loans primarily to Mennonite Brethren churches, organizations and qualified individuals, as well as other organizations that share similar values. At December 31, 2020, approximately 51% of the loans were to qualified organizations, 8% were to qualified church workers and 41% 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 \$1,558,845 in unsecured loans, loans secured by third party guarantees or other sources. 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. In addition, all demand investment certificates are payable upon 30 days written notice subject to availability of funds. 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.

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December 31, 2020 and 2019

10. RETIREMENT PLAN:

The Organization contributes 6% of annual compensation for all eligible employees working 20 hours or more a week to a 403(b) plan sponsored by the Foundation. Employer contributions totaled \$64,237 and \$58,473 during 2020 and 2019, respectively.

11. RELATED PARTY TRANSACTIONS:

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

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, 2020, the Fund had four loans with an outstanding combined balance of \$459,830, with a weighted average interest rate of 3.36%, with four officers. As of that same date, the Fund had four loans outstanding to four employees with an outstanding combined balance of \$289,914 with an interest rate of 3.41%. At December 31, 2020, the Fund had seven certificates totaling \$863,207, with an average interest rate of 0.96%, to two Mennonite Brethren Conferences who have board members also on the Fund's board. The fund also has four certificates totaling \$289,704 with an interest rate of 0.50%, to an educational institution who has a board member also on the Fund's board. At December 31, 2020, the Fund also had two line of credit loan commitments to Mennonite Brethren Conferences for a total of \$500,000 with an interest rate of 4.75%, of which both are unfunded. At December 31, 2020, the Fund also had a loan with an outstanding balance of \$466,417, and an interest rate of 5.25%, to an organization who has a board member that is also an officer of the Fund.

At December 31, 2019, the Fund had three loans with an outstanding combined balance of \$356,719, with a weighted average interest rate of 3.44%, with three officers. As of that same date, the Fund had two loans outstanding to two employees with an outstanding combined balance of \$145,544 with an interest rate of 3.41%. At December 31, 2019, the Fund had seven certificates totaling \$649,528, with an average interest rate of 1.57%, to two Mennonite Brethren Conferences who have board members also on the Fund's board. The fund also has four certificates totaling \$307,595 with an interest rate of 1.00%, to an educational institution who has a board member also on the Fund's board. At December 31, 2019, the Fund also had two line of credit loan commitments to Mennonite Brethren Conferences for a total of \$500,000 with an interest rate of 5.2%, of which both are unfunded.

During 2020 and 2019, the Foundation also made a grant totaling \$190,654 and \$180,000, respectively, to the U.S. Conference.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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December 31, 2020 and 2019

12. LOAN COMMITMENTS

In the normal course of business, the Fund makes commitments to extend loans to meet the financing needs primarily of Mennonite Brethren churches, organizations and qualified individuals, as well as other organizations that share similar values. At December 31, 2020, the Fund had outstanding commitments of approximately \$24,359,000 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.

13. ENDOWMENT FUNDS:

The Foundation's endowment consists of 156 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 net assets restricted in perpetuity (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 net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

13. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2020:

	With donor restrictions				Total Funds
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Donor-restricted funds	\$ -	\$ 27,272,611	\$ 8,324,472	\$ 35,597,083	\$ 35,597,083
Board-designated funds	6,078,539	-	-	-	6,078,539
Total funds	\$ 6,078,539	\$ 27,272,611	\$ 8,324,472	\$ 35,597,083	\$ 41,675,622

Changes in endowment net assets for year ended December 31, 2020:

	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	Total Funds
Endowment net assets, beginning of year	\$ 5,780,986	\$ 27,005,658	\$ 7,098,314	\$ 34,103,972	\$ 39,884,958
Investment return, net	435,644	(114,954)	2,487,315	2,372,361	2,808,005
Contributions	-	92,953	-	92,953	92,953
Change in value of annuities	-	2,567	-	2,567	2,567
Rental income	-	-	25,187	25,187	25,187
Amount appropriated for expenditures	(164,901)	-	(1,198,398)	(1,198,398)	(1,363,299)
Transfers	26,810	287,629	(89,188)	198,441	225,251
Reclassifications	-	(1,242)	1,242	-	-
	<u>297,553</u>	<u>266,953</u>	<u>1,226,158</u>	<u>1,493,111</u>	<u>1,790,664</u>
Endowment net assets, end of year	\$ 6,078,539	\$ 27,272,611	\$ 8,324,472	\$ 35,597,083	\$ 41,675,622

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

13. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2019:

	With donor restrictions				Total Funds
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Donor-restricted funds	\$ -	\$ 27,005,658	\$ 7,098,314	\$ 34,103,972	\$ 34,103,972
Board-designated funds	5,780,986	-	-	-	5,780,986
Total funds	\$ 5,780,986	\$ 27,005,658	\$ 7,098,314	\$ 34,103,972	\$ 39,884,958

Changes in endowment net assets for year ended December 31, 2019:

	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	Total Funds
Endowment net assets, beginning of year	\$ 5,088,030	\$ 25,127,373	\$ 3,555,227	\$ 28,682,600	\$ 33,770,630
Investment return, net	872,334	136,804	4,685,229	4,822,033	5,694,367
Contributions	-	90,864	5,070	95,934	95,934
Change in value of annuities	-	5,622	-	5,622	5,622
Rental income	-	-	25,128	25,128	25,128
Amount appropriated for expenditures	(156,962)	-	(1,154,858)	(1,154,858)	(1,311,820)
Transfers	(22,416)	1,646,265	(18,752)	1,627,513	1,605,097
Reclassifications	-	(1,270)	1,270	-	-
	692,956	1,878,285	3,543,087	5,421,372	6,114,328
Endowment net assets, end of year	\$ 5,780,986	\$ 27,005,658	\$ 7,098,314	\$ 34,103,972	\$ 39,884,958

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2020, deficiencies of this nature existed in one donor-restricted endowment funds, which had an original gift value of \$1,256,414, a current fair value of \$1,133,139, and a deficiency of \$123,275. This deficiency resulted from unfavorable market conditions in closely held stock. There were no deficiencies of this nature as of December 31, 2019.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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13. ENDOWMENT FUNDS, continued:

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.

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

The Foundation has a policy of appropriating for distribution each year 4% 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% annually. 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.

14. 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.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

14. 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, 2020:

	Total	Level 1	Level 2	Level 3
Corporate bonds:				
AAA	\$ 224,122	\$ -	\$ 224,122	\$ -
AA	1,191,594	-	1,191,594	-
A	8,930,725	-	8,930,725	-
BBB	11,528,460	-	11,528,460	-
BB+ or below/not rated	94,925	-	94,925	-
	<u>21,969,826</u>	<u>-</u>	<u>21,969,826</u>	<u>-</u>
Mutual funds:				
Equity funds	21,823,518	21,823,518	-	-
Fixed income funds	13,801,386	13,801,386	-	-
	<u>35,624,904</u>	<u>35,624,904</u>	<u>-</u>	<u>-</u>
Equities	71,908,619	71,908,619	-	-
Money market funds	16,689,075	16,689,075	-	-
Certificates of deposit	990,027	-	990,027	-
U.S. Government securities	10,566,339	-	10,566,339	-
Mortgage pools	7,727,396	-	7,727,396	-
CMO and asset backed securities	1,405,649	-	1,405,649	-
Non-publicly traded securities	235,600	-	235,600	-
Real estate	10,312,736	-	10,312,736	-
Commodities	256,663	-	256,663	-
	<u>120,092,104</u>	<u>88,597,694</u>	<u>31,494,410</u>	<u>-</u>
	<u>\$177,686,834</u>	<u>\$124,222,598</u>	<u>\$ 53,464,236</u>	<u>\$ -</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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December 31, 2020 and 2019

14. 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, 2019:

	Total	Level 1	Level 2	Level 3
Corporate Bonds				
AAA	\$ 189,213	\$ -	\$ 189,213	\$ -
AA	945,200	-	945,200	-
A	5,876,905	-	5,876,905	-
BBB	10,133,445	-	10,133,445	-
BB+ or below	190,104	-	190,104	-
	<u>17,334,867</u>	<u>-</u>	<u>17,334,867</u>	<u>-</u>
Mutual funds:				
Equity funds	26,108,725	26,108,725	-	-
Fixed income funds	8,665,349	8,665,349	-	-
	<u>34,774,074</u>	<u>34,774,074</u>	<u>-</u>	<u>-</u>
Equities	61,104,478	61,104,478	-	-
Money market funds	13,440,964	13,440,964	-	-
Certificates of deposit	2,401,907	-	2,401,907	-
U.S. Government securities	7,734,877	-	7,734,877	-
Mortgage pools	8,057,597	-	8,057,597	-
CMO and asset backed securities	1,237,158	-	1,237,158	-
Non-publicly traded securities	374,237	-	374,237	-
Real estate	3,548,190	-	3,548,190	-
Commodities	280,500	-	280,500	-
Limited partnership	2,448,996	-	-	2,448,996
	<u>100,628,904</u>	<u>74,545,442</u>	<u>23,634,466</u>	<u>2,448,996</u>
	<u>\$152,737,845</u>	<u>\$109,319,516</u>	<u>\$ 40,969,333</u>	<u>\$ 2,448,996</u>

The following table provides further details for the Level 3 fair value measurements for the years ended December 31, 2020 and 2019:

	2020	2019
Balance - January 1	\$ 2,448,996	\$ 2,249,882
Purchases	-	220,242
Sales	(1,968,958)	-
Realized and unrealized gains(losses)	<u>(480,038)</u>	<u>(21,128)</u>
Balances - December 31	<u>\$ -</u>	<u>\$ 2,448,996</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

14. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

For the limited partnership investment above, there are no lockup restrictions, and the Organization's interest in the fund is redeemable at the end of any month on 15 days notice. There were no unfunded commitments as of December 31, 2020 and 2019.

15. FUNCTIONAL ALLOCATION OF EXPENSES:

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization, which are primarily allocated on estimates of time and effort. The following table presents the functional allocation of expenses for the year ended December 31, 2020 and 2019:

	For the Year Ended December 31, 2020		
	Program Services	General and Administrative	Total
Interest on investment certificate	\$ 2,629,251	\$ -	\$ 2,629,251
Salaries and benefits	843,298	784,557	1,627,855
Distributions to others	9,189,701	-	9,189,701
Professional fees	41,535	174,164	215,699
Depreciation	12,802	66,790	79,592
Travel	14,161	8,507	22,668
Office expenses and other	137,913	352,935	490,848
	<u>\$ 12,868,661</u>	<u>\$ 1,386,953</u>	<u>\$ 14,255,614</u>
	For the Year Ended December 31, 2019		
	Program Services	General and Administrative	Total
Interest on investment certificate	\$ 2,812,157	\$ -	\$ 2,812,157
Salaries and benefits	896,252	959,117	1,855,369
Distributions to others	4,757,070	-	4,757,070
Professional fees	33,960	154,937	188,897
Depreciation	12,953	61,791	74,744
Travel	30,705	33,371	64,076
Office expenses and other	120,767	256,338	377,105
Total	<u>\$ 8,663,864</u>	<u>\$ 1,465,554</u>	<u>\$ 10,129,418</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which are allocated on a square footage basis, as well as salaries and benefits, travel, and certain office expenses, which are allocated on the basis of estimates of time and effort.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

16. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, assets held in trusts and state required annuity reserves, perpetual and term endowments and accumulated earnings subject to appropriation beyond one year, unfunded portions of line of credit commitments, liquidity reserve limits required for church extension funds, or because the board has set aside funds for specific projects or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,796,347	\$ 1,446,410
Investments	134,792,907	104,724,669
Interest and other receivables	804,853	747,637
Contribution receivable	340,000	-
Loans receivable	99,079,267	84,757,544
Less: allowance for doubtful loans	(2,717,612)	(2,717,612)
Assets held in trust	22,110,082	20,756,621
Investments held for endowment	41,675,622	39,884,958
Financial assets, at year-end	297,881,466	249,600,227
Less those unavailable for general expenditure with one year, due to:		
Loans receivable collectible beyond one year	(96,980,693)	(83,035,719)
Accounts receivable collectible beyond one year	(361,740)	(362,174)
Investments and other financial assets held for others	(56,472,462)	(43,526,366)
Investments held in trusts and state required annuity reserves	(24,679,071)	(23,268,149)
Investments not convertible to cash within next 12 months	(7,159,766)	(6,466,853)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	(35,597,083)	(34,103,972)
Unfunded line of credit commitments	(13,430,000)	(4,675,881)
Church extension fund required liquidity reserves*	(5,254,668)	(4,491,997)
Donor-imposed purpose restrictions	(546,682)	(228,115)
Investments in board designated endowments	(6,078,539)	(5,780,986)
Board designated for special projects	(48,151)	(53,276)
Financial assets available to meet cash needs for general expenditures within one year	\$ 51,272,611	\$ 43,606,739

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

16. LIQUIDITY AND FUNDS AVAILABLE, continued:

* The North American Securities Administrators Association's statement of policy regarding church extension fund securities states that at the end of its most recent fiscal year as reported in its audited financial statements, the church extension fund's cash, cash equivalents, readily marketable securities and available lines of credit shall have a value of at least 8% of the principal balance of its total outstanding certificates, except that the value of available lines of credit for meeting this standard shall not exceed 2% of the principal balance of its total outstanding certificates.

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Fund also entered into a revolving line of credit agreement with a bank during 2018, allowing for maximum borrowings of \$5,000,000, of which \$0 was outstanding at December 31, 2020 and 2019. Interest on the line of credit is paid monthly at the prime rate plus 0.125% (prime was 3.25% at December 31, 2020). This line of credit is unsecured and expires in July 2021. No funds were borrowed under this agreement during the years ended December 31, 2020 and 2019. At December 31, 2020 and 2019, the Board had \$1,888,420 and \$2,579,260, respectively, of funds designated for operating reserves that could be drawn upon to meet its general expenditures if the board approved of such action.

17. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

18. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 26, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

We have audited the consolidated financial statements of Mennonite Brethren Foundation and Affiliate as of and for the years ended December 31, 2020 and 2019, and our report thereon dated April 26, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Naperville, Illinois
April 26, 2021

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidating Statement of Financial Position

December 31, 2020

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 603,654	\$ 1,192,693	\$ -	\$ 1,796,347
Investments	133,540,102	47,989,497	(46,736,692)	134,792,907
Interest receivable	-	416,198	-	416,198
Prepaid expenses and other	57,021	374,912	(1,512)	430,421
Contributions receivable	340,000	-	-	340,000
Loans receivable, net	-	96,361,655	-	96,361,655
Assets held in trust	22,110,082	-	-	22,110,082
Investments held for endowment	41,675,622	-	-	41,675,622
Property and equipment, net	110,482	1,975,929	-	2,086,411
	\$ 198,436,963	\$ 148,310,884	\$ (46,738,204)	\$ 300,009,643
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 488,012	\$ 44,638	\$ (1,512)	\$ 531,138
Earnings payable	36,101	-	-	36,101
Investment certificates	-	134,314,489	(46,736,692)	87,577,797
Trust liability	20,039,579	-	-	20,039,579
Annuities payable	3,170,306	-	-	3,170,306
Funds held for others	56,244,113	-	-	56,244,113
Pension funds held for others	228,349	-	-	228,349
	80,206,460	134,359,127	(46,738,204)	167,827,383
Net assets:				
Net assets without donor restrictions	77,415,831	13,951,757	-	91,367,588
Net assets with donor restrictions:				
Restricted by purpose or time	13,542,061	-	-	13,542,061
Restricted in perpetuity	27,272,611	-	-	27,272,611
	40,814,672	-	-	40,814,672
	118,230,503	13,951,757	-	132,182,260
	\$ 198,436,963	\$ 148,310,884	\$ (46,738,204)	\$ 300,009,643

See notes to consolidated financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidating Statement of Activities

Year Ended December 31, 2020

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues:				
Interest on loans receivable	\$ -	\$ 4,648,858	\$ -	\$ 4,648,858
Contributions	19,980,416	-	(350,000)	19,630,416
Annuity contributions received	165,729	-	-	165,729
Fees and other	1,144,494	200,706	-	1,345,200
Investment income	4,726,723	1,149,792	(441,223)	5,435,292
Change in value of charitable gift annuities	335,675	-	-	335,675
Reimbursements from MB Loan Fund	48,956	-	(48,956)	-
	<u>26,401,993</u>	<u>5,999,356</u>	<u>(840,179)</u>	<u>31,561,170</u>
Reclassifications				
Net assets released from purpose restriction	1,919,517	-	-	1,919,517
Transfer per donor stipulation	(343,762)	-	-	(343,762)
	<u>27,977,748</u>	<u>5,999,356</u>	<u>(840,179)</u>	<u>33,136,925</u>
Expenses:				
Program	9,438,163	4,245,257	(814,759)	12,868,661
Management and general	913,980	498,393	(25,420)	1,386,953
	<u>10,352,143</u>	<u>4,743,650</u>	<u>(840,179)</u>	<u>14,255,614</u>
Change in Net Assets Without Donor Restriction	<u>17,625,605</u>	<u>1,255,706</u>	<u>-</u>	<u>18,881,311</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Restricted by purpose or time				
Contributions	864,094	-	-	864,094
Fees and other	25,187	-	-	25,187
Investment income	2,517,318	-	-	2,517,318
Change in value of deferred gift	441,819	-	-	441,819
Change in value of charitable trust agreement	105,817	-	-	105,817
Change in value of charitable gift annuities	4,331	-	-	4,331
Net assets released from restriction	(1,919,517)	-	-	(1,919,517)
Transfer per donor stipulation	57,375	-	-	57,375
Change in Net Assets Restricted by Purpose or Time	<u>2,096,424</u>	<u>-</u>	<u>-</u>	<u>2,096,424</u>
Restricted in perpetuity				
Contributions	92,953	-	-	92,953
Investment income	(114,954)	-	-	(114,954)
Change in value of charitable gift annuity	2,567	-	-	2,567
Transfer per donor stipulation	286,387	-	-	286,387
Change in Net Assets Restricted in Perpetuity	<u>266,953</u>	<u>-</u>	<u>-</u>	<u>266,953</u>
Change in Net Assets	<u>19,988,982</u>	<u>1,255,706</u>	<u>-</u>	<u>21,244,688</u>
Net Assets, Beginning of Year	<u>98,241,521</u>	<u>12,696,051</u>	<u>-</u>	<u>110,937,572</u>
Net Assets, End of Year	<u>\$ 118,230,503</u>	<u>\$ 13,951,757</u>	<u>\$ -</u>	<u>\$ 132,182,260</u>

See notes to consolidated financial statements