

MENNONITE BROTHERS FOUNDATION AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

MENNONITE BRETHREN FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

Opinion

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, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mennonite Brethren Foundation and Affiliate as of December 31, 2021 and 2020, and the changes in its consolidated net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mennonite Brethren Foundation and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mennonite Brethren Foundation and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mennonite Brethren Foundation and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Capin Crouse LLP

Naperville, Illinois
April 25, 2022

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidated Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 1,759,255	\$ 1,796,347
Investments	148,051,895	134,792,907
Interest receivable	440,691	416,198
Prepaid expenses and other assets	383,710	430,421
Contributions receivable	58,624	340,000
W Loans receivable, net	99,872,448	96,361,655
Assets held in trust	23,475,609	22,110,082
Investments held for endowment	51,599,552	41,675,622
Property and equipment, net	2,204,914	2,086,411
	<u>\$ 327,846,698</u>	<u>\$ 300,009,643</u>
Total Assets	\$ 327,846,698	\$ 300,009,643
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 705,076	\$ 531,138
Earnings payable	35,163	36,101
Investment certificates	83,381,655	87,577,797
Trust liability	21,207,683	20,039,579
Annuities payable	3,096,602	3,170,306
Funds held for others	61,238,259	56,244,113
Pension funds held for others	214,007	228,349
Total Liabilities	169,878,445	167,827,383
Net assets:		
Net assets without donor restrictions	106,703,638	91,367,588
Net assets with donor restrictions:		
Restricted by purpose or time	17,812,257	13,542,061
Restricted in perpetuity	33,452,358	27,272,611
	51,264,615	40,814,672
Total Net Assets	157,968,253	132,182,260
Total Liabilities and Net Assets	\$ 327,846,698	\$ 300,009,643

See notes to consolidated financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Interest on loans receivable	\$ 4,673,160	\$ -	\$ 4,673,160	\$ 4,648,858	\$ -	\$ 4,648,858
Contributions	24,153,531	1,801,534	25,955,065	19,796,145	957,047	20,753,192
Fees and other	1,565,756	25,022	1,590,778	1,345,200	25,187	1,370,387
Investment income	6,647,274	4,683,629	11,330,903	5,435,292	2,402,364	7,837,656
Change in value of annuities and trust	390,050	196,997	587,047	335,675	112,715	448,390
Change in value of deferred gifts	-	(281,592)	(281,592)	-	441,819	441,819
	37,429,771	6,425,590	43,855,361	31,561,170	3,939,132	35,500,302
RECLASSIFICATIONS:						
Net assets released from purpose restrictions	1,993,643	(1,993,643)	-	1,919,517	(1,919,517)	-
Transfer per donor stipulation	(6,017,996)	6,017,996	-	(343,762)	343,762	-
	(4,024,353)	4,024,353	-	1,575,755	(1,575,755)	-
EXPENSES:						
Program services	16,513,528	-	16,513,528	12,868,661	-	12,868,661
Supporting activities:						
Management and general	1,555,840	-	1,555,840	1,386,953	-	1,386,953
	18,069,368	-	18,069,368	14,255,614	-	14,255,614
Change in Net Assets	15,336,050	10,449,943	25,785,993	18,881,311	2,363,377	21,244,688
Net Assets, Beginning of Year	91,367,588	40,814,672	132,182,260	72,486,277	38,451,295	110,937,572
Net Assets, End of Year	\$ 106,703,638	\$ 51,264,615	\$ 157,968,253	\$ 91,367,588	\$ 40,814,672	\$ 132,182,260

See notes to consolidated financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,785,993	\$ 21,244,688
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	84,484	79,592
Net realized and unrealized gain on investments	(9,151,778)	(5,951,131)
We have Maturities of charitable gift annuities	(81,196)	(53,861)
Charitable gift annuity actuarial change	(93,015)	(109,157)
Change in value of charitable trusts	(197,423)	(105,817)
Interest reinvested in investment certificate:	1,237,652	1,354,727
Donated real estate	(3,078,440)	(7,957,000)
Endowment Contributions	(90,444)	(92,953)
Changes in:		
Interest receivable	(24,493)	(26,448)
Prepaid expenses and other assets	46,711	(65,475)
Contributions receivable	281,376	(340,000)
Accounts payable and accrued expenses:	173,938	130,018
Earnings payable	(938)	(2,928)
Pension funds held for others:	(14,342)	(12,199)
Net Cash Provided by Operating Activities	14,878,085	8,092,056
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment:	131,950,829	72,046,662
Purchase of investments	(138,113,095)	(77,142,920)
Loan advances	(19,849,533)	(26,205,173)
Loan principle received	14,338,740	11,883,450
Sale of investments for charitable gift annuities:	436,594	450,514
Purchase of property and equipment	(230,685)	(26,604)
Net Cash Used by Investing Activities	(11,467,150)	(18,994,071)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of loan participation interest	2,000,000	-
Proceeds from issuance of investment certificate	24,278,196	41,457,566
Redemptions of investment certificate:	(29,711,990)	(30,101,106)
Face value of new annuity and trust agreements:	200,002	315,000
Gift portion of new charitable gift annuities:	(99,495)	(165,730)
Payments on charitable gift annuities and trusts:	(652,485)	(657,897)
Investment income on assets held in trust	447,301	311,166
Endowment Contributions	90,444	92,953
Net Cash (Used) Provided by Financing Activities:	(3,448,027)	11,251,952
Net Change in Cash and Cash Equivalents	(37,092)	349,937
Cash and Cash Equivalents, Beginning of Year	1,796,347	1,446,410
Cash and Cash Equivalents, End of Year	\$ 1,759,255	\$ 1,796,347
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 142,448	\$ 175,617
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Matured investment certificates reinvested	\$ 34,887,495	\$ 22,107,465

See notes to consolidated financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 the Mennonite Brethren conference, churches, institutions and 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.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, the Organization's cash balances exceeded federally insured limits by \$1,750,675 and \$1,503,685, 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 are reported at fair value. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The fair values for equity securities, money market funds and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of certificates of deposit, government bonds, mortgage pools, corporate bonds, and CMO and asset backed securities are based on yields currently available on comparable securities of issuers with similar credit ratings. Real estate and commodity investments are determined based on independent appraisals. 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) on the date of donation and thereafter carried in accordance with the above policies. 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.

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, 2021 and 2020

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,	
	2021	2020
Office building and land	\$ 2,302,395	\$ 2,154,218
Furniture, fixtures and equipment	262,088	241,618
Construction in Progress	20,930	-
	<u>2,585,413</u>	<u>2,395,836</u>
Less accumulated depreciation	<u>(380,499)</u>	<u>(309,425)</u>
	<u>\$ 2,204,914</u>	<u>\$ 2,086,411</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 \$9,143,883 and \$8,728,469 at December 31, 2021 and 2020, respectively, including \$2,563,349 and \$2,568,989, 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, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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:

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 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 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 cost are expensed as incurred and totaled \$66,610 and \$66,227 for the year ended December 31, 2021 and 2020, respectively.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

3. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2021	2020
At fair value:		
Money market funds	\$ 19,982,941	\$ 16,689,075
Certificates of deposit	2,239,615	990,027
U.S. government securities	14,274,990	10,566,339
Corporate bonds	22,630,705	21,969,826
Equities	88,892,178	71,908,619
Mutual funds	37,095,390	35,624,904
Mortgage pools	9,103,277	7,727,396
CMO and asset backed securities	2,476,428	1,405,649
Non-publicly traded securities	390,600	235,600
Real estate	3,765,615	10,312,736
Commodities	280,344	256,663
	201,132,083	177,686,834
At Cost:		
Denominational loan fund certificates	13,670,341	13,723,343
Money market funds	-	1,938,406
Certificate of deposit	252,128	249,689
	13,922,469	15,911,438
At contract value		
Cash value life insurance	407,340	697,189
	407,340	697,189
At other than fair value:		
Loans receivable	7,665,164	4,283,150
	7,665,164	4,283,150
Less:		
Investments held for endowment	(51,599,552)	(41,675,622)
Assets held in trust	(23,475,609)	(22,110,082)
	\$148,051,895	\$134,792,907

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

3. INVESTMENTS, continued:

Investment income consists of the following for the years ended:

	December 31,	
	2021	2020
Interest and dividend income	\$ 2,928,187	\$ 2,420,513
Net realized and unrealized gains	9,151,778	5,951,131
Investment management and custodial fees	(749,062)	(533,988)
	\$ 11,330,903	\$ 7,837,656

4. LOANS RECEIVABLE, NET:

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

	December 31,	
	2021	2020
4.5% or less	\$ 50,118,158	\$ 10,506,166
over 4.5 to 5.5%	50,830,673	81,547,139
over 5.5 to 6.5%	1,641,229	7,025,962
	102,590,060	99,079,267
Allowance for losses	(2,717,612)	(2,717,612)
	\$ 99,872,448	\$ 96,361,655
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, 2021, all loans were collectively evaluated and no impairment was noted.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020:

	December 31,	
	2021	2020
Performing	\$102,590,060	\$ 99,079,267
Nonperforming	-	-
	\$102,590,060	\$ 99,079,267

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

	December 31,	
	2021	2020
Past due:		
Greater than 90 days	\$ -	\$ -
Current	102,590,060	99,079,267
	\$102,590,060	\$ 99,079,267

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, 2021 and 2020.

Loans receivable at December 31, 2021, will mature as follows:

Year	Amount
2022	\$ 10,447,500
2023	6,551,901
2024	9,786,129
2025	4,430,848
2026	16,674,385
Thereafter	54,699,297
	\$102,590,060

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

4. LOANS RECEIVABLE, NET, continued:

As of December 31, 2021, the Fund had no unsecured loans, two loans totaling \$1,451,009 secured by other assets, and one loan totaling \$500,000 secured by third party guarantees. The loans receivable earn interest at fixed or variable rates which ranged from 2.31 percent to 5.75 percent at December 31, 2021.

The Fund had 157 loans at December 31, 2021. 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, 2021, were located in the following states:

State	Number of Loans	Principal Outstanding	Percent of Loan Portfolio
California	60	\$ 40,135,294	39%
Washington	17	14,209,305	14%
Utah	5	8,882,818	9%
Oregon	8	5,242,556	5%
Arizona	8	5,197,941	5%
Colorado	6	5,161,505	5%
	104	\$ 78,829,419	77%

At December 31, 2021, the Fund had 121 borrowers with balances as follows:

Loan Balance	Number of Borrowers	Principal Outstanding	Percent of Loan Portfolio
\$0 - \$500,000	71	\$ 11,919,027	12%
\$ 500,001 - \$1,000,000	17	12,529,716	12%
\$1,000,001 - \$1,500,000	12	14,913,664	15%
\$1,500,001 - \$2,000,000	11	18,593,438	18%
\$2,000,001 - \$2,500,000	6	13,341,600	13%
\$2,500,001 - \$3,000,000	0	-	0%
Over \$3,000,000	4	31,292,615	30%
	121	\$102,590,060	100%

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, 2021, there were two significant borrowers whose balances totaled \$24,288,953.

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Notes to Consolidated Financial Statements

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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 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 combined 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.

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

	December 31,	
	2021	2020
Money market funds	\$ 651,956	\$ 417,991
Equities, equity and bond funds	22,681,928	20,889,667
Corporate notes	33,801	32,000
Real estate	-	388,693
Cash value life insurance	-	288,624
Loans receivable	107,924	93,107
	<u>\$ 23,475,609</u>	<u>\$ 22,110,082</u>

The above amounts are included as assets of the Foundation.

Liabilities and net assets held in trust consist of:

Irrevocable charitable beneficiary - payment liability	\$ 1,392,134	\$ 1,358,147
Revocable charitable beneficiary (liability equals assets)	19,815,549	18,681,432
	<u>21,207,683</u>	<u>20,039,579</u>
Net assets with donor restrictions for irrevocable charitable remainder trusts	<u>2,267,926</u>	<u>2,070,503</u>
	<u>\$ 23,475,609</u>	<u>\$ 22,110,082</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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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,	
	2021	2020
Change in Value of Charitable Gift Annuities:		
Interest and dividends	\$ 143,763	\$ 161,580
Net realized and unrealized losses	801,389	640,047
Actuarial change	93,015	109,157
Maturities	81,196	53,861
Transfer to endowment upon maturity of annuity	-	(22,593)
Payments and distributions (including miscellaneous expenses)	(729,739)	(599,479)
	<u>389,624</u>	<u>342,573</u>
Change in Value of Charitable Trusts (Irrevocable Beneficiary):		
Interest and dividends	56,566	66,222
Net realized and unrealized losses	390,735	244,944
Actuarial change	(33,987)	2,034
Payments (including miscellaneous expenses)	(215,891)	(207,383)
	<u>197,423</u>	<u>105,817</u>
Total change in value of annuities and trusts	<u>\$ 587,047</u>	<u>\$ 448,390</u>

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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 1.9% at December 31, 2021). The Fund was indebted on investment certificates as summarized below:

	December 31,	
	2021	2020
Demand:		
Advantage	\$ 15,141,665	\$ 11,510,896
Demand	4,448,218	2,492,312
	19,589,883	14,003,208
Term:		
One year	13,081,690	24,089,873
Two year	7,549,701	9,824,123
Three year	8,459,726	8,111,790
Four year	2,077,399	1,459,889
Five year	32,623,256	30,088,914
	63,791,772	73,574,589
	\$ 83,381,655	\$ 87,577,797

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	\$ 19,589,883
2022	26,622,430
2023	13,832,431
2024	9,689,533
2025	5,615,397
2026	8,031,981
	\$ 83,381,655

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7. INVESTMENT CERTIFICATES, continued:

At December 31, 2021, the Fund had a total of 218 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	106	\$ 14,658,348	18%
\$200,001 - \$300,000	46	11,273,785	14%
\$300,001 - \$500,000	42	16,048,631	19%
Greater than \$500,000	23	24,931,247	30%
Related parties (Note 11)	1	855,356	1%
	218	\$ 67,767,367	81%

At December 31, 2021, the Fund had 1,731 certificates, with the primary concentrations by state as follows:

State	Number of Certificates	Aggregate Investment Certificate Balances	Percent of Certificate Balances Outstanding
Kansas	766	\$ 32,748,135	39%
California	459	26,430,481	32%
Oklahoma	211	9,966,854	12%
	1,436	\$ 69,145,470	83%

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8. NET ASSETS:

Net assets consist of:

	December, 31	
	2021	2020
Net assets without donor restrictions:		
Undesignated	\$ 90,410,046	\$ 75,936,934
Capital adequacy reserve	7,539,872	7,415,544
Board designated endowment	6,657,371	6,078,539
Board designated reserve	2,096,349	1,936,571
Total net assets without donor restrictions	106,703,638	91,367,588
Net assets with donor restrictions		
Subject to expenditure for specified purpose:		
Scholarships and grants	1,742,016	546,682
	1,742,016	546,682
Subject to the passage of time:		
Unitrust-restricted beneficiaries	2,267,926	2,070,503
Life estates	2,312,492	2,600,404
	4,580,418	4,670,907
Subject to Foundations' spending policy and appropriations:		
Accumulated gains	8,338,677	5,443,560
Term endowments	3,151,146	2,880,912
Endowment funds restricted in perpetuity	33,404,977	27,231,123
	44,894,800	35,555,595
Subject to restriction in perpetuity:		
Annuity Funds-restricted for endowment	47,381	41,488
	47,381	41,488
Total net assets with donor restrictions	51,264,615	40,814,672
Total net assets	\$157,968,253	\$132,182,260

The Foundation's governing board through specific action has created self-imposed limits on net assets without donor restrictions. The board has set aside \$8,753,720 and \$8,015,110 for the following purposes as of December 31, 2021 and 2020, respectively. These net assets can be drawn upon if the board approves such action.

	December 31,	
	2021	2020
For investment as a board-designated endowment	\$ 6,657,371	\$ 6,078,539
Operating reserves	2,024,122	1,888,420
For special projects	72,227	48,151
	\$ 8,753,720	\$ 8,015,110

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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. 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. At December 31, 2021, approximately \$195.4 million of the Organization's investment portfolio was held by the investment management firm of Charles Schwab & Co., Inc.

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, 2021, approximately 44% of the loans were to qualified organizations, 7% were to qualified church workers and 49% 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 \$1,951,009 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.

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 \$77,974 and \$64,237 during 2021 and 2020, respectively.

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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). From time to time the Fund may have loans or certificates outstanding with the U.S. Conference.

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, 2021, the Fund had four loans with an outstanding combined balance of \$666,995, with a weighted average interest rate of 2.7%, with four officers. As of that same date, the Fund had three loans outstanding to three employees with an outstanding combined balance of \$181,087 with a weighted average interest rate of 2.67%. At December 31, 2021, the Fund had six certificates totaling \$855,356, with an average interest rate of 0.82%, to a Mennonite Brethren Conference who has a board member also on the Fund's board. At December 31, 2021, the Fund also had a line of credit loan commitment to a Mennonite Brethren Conference for a total of \$200,000 with an interest rate of 4.5%, which was unfunded. At December 31, 2021, the Fund also had two loans with an outstanding balance of \$741,846 and an interest rate of 5.00%, to an organization who has a board member that is also an officer of the Fund.

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 had 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 had a board member that is also an officer of the Fund.

During 2021 and 2020, the Foundation also made a grant totaling \$180,000 and \$190,654, respectively, to the U.S. Conference.

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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, 2021, the Fund had outstanding commitments of approximately \$34,533,000 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 166 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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December 31, 2021 and 2020

13. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2021:

	Without donor restrictions	With donor restrictions		Total with donor restrictions	Total funds
		Original gift amount	Accumulated gains (losses) and other		
Donor-restricted funds	\$ -	\$ 33,452,358	\$ 11,489,823	\$ 44,942,181	\$ 44,942,181
Board-designated funds	6,657,371	-	-	-	6,657,371
Total funds	\$ 6,657,371	\$ 33,452,358	\$ 11,489,823	\$ 44,942,181	\$ 51,599,552

Changes in endowment net assets for year ended December 31, 2021:

	Without donor restrictions	Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	Total funds
Endowment net assets, beginning of year	\$ 6,078,539	\$ 27,272,611	\$ 8,324,472	\$ 35,597,083	\$ 41,675,622
Investment return, net	786,321	180,232	4,453,760	4,633,992	5,420,313
Contributions	-	90,444	-	90,444	90,444
Change in value of annuities	-	5,893	-	5,893	5,893
Rental Income	-	-	25,022	25,022	25,022
Amount appropriated for expenditures	(172,464)	-	(1,235,445)	(1,235,445)	(1,407,909)
Transfers	(35,025)	5,904,401	(79,209)	5,825,192	5,790,167
Reclassification	-	(1,223)	1,223	-	-
	<u>578,832</u>	<u>6,179,747</u>	<u>3,165,351</u>	<u>9,345,098</u>	<u>9,923,930</u>
Endowment net assets, end of year	\$ 6,657,371	\$ 33,452,358	\$ 11,489,823	\$ 44,942,181	\$ 51,599,552

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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
Reclassification	-	(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

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, 2021, deficiencies of this nature existed in one donor-restricted endowment fund, which had an original gift value of \$10,000, a current fair value of \$9,997, and a deficiency of \$3. This deficiency resulted from unfavorable market conditions at the establishment of the endowment in 2021. As of December 31, 2020, deficiencies of this nature existed in one donor-restricted endowment fund, 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.

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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% and 8% 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 1.25% to 3.25% 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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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, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds:				
AAA	\$ 157,361	\$ -	\$ 157,361	\$ -
AA	2,427,937	-	2,427,937	-
A	6,030,947	-	6,030,947	-
BBB	13,656,282	-	13,656,282	-
BB+ or below/not rated	358,178	-	358,178	-
	<u>22,630,705</u>	<u>-</u>	<u>22,630,705</u>	<u>-</u>
Mutual funds:				
Equity funds	22,340,069	22,340,069	-	-
Fixed income funds	14,755,321	14,755,321	-	-
	<u>37,095,390</u>	<u>37,095,390</u>	<u>-</u>	<u>-</u>
Equities	88,892,178	88,892,178	-	-
Money market funds	19,982,941	19,982,941	-	-
Certificates of deposit	2,239,615	-	2,239,615	-
U.S. Government securities	14,274,990	-	14,274,990	-
Mortgage pools	9,103,277	-	9,103,277	-
CMO and asset backed securities	2,476,428	-	2,476,428	-
Non-publicly traded securities	390,600	-	390,600	-
Real estate	3,765,615	-	3,765,615	-
Commodities	280,344	-	280,344	-
	<u>141,405,988</u>	<u>108,875,119</u>	<u>32,530,869</u>	<u>-</u>
	<u>\$201,132,083</u>	<u>\$145,970,509</u>	<u>\$ 55,161,574</u>	<u>\$ -</u>

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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>

The following table provides further details for the Level 3 fair value measurements for the years ended December 31, 2021 and 2020:

	2021	2020
Balance - January 1	\$ -	\$ 2,448,996
Purchases	-	-
Sales	-	(1,968,958)
Realized and unrealized gains(losses)	-	(480,038)
	<u>-</u>	<u>(480,038)</u>
Balances - December 31	<u>\$ -</u>	<u>\$ -</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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December 31, 2021 and 2020

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, 2021 and 2020:

	For the Year Ended December 31, 2021		
	Program Services	General and Administrative	Total
Interest on investment certificates	\$ 2,440,131	\$ -	\$ 2,440,131
Salaries and benefits	1,001,454	877,274	1,878,728
Distributions to others	12,866,165	-	12,866,165
Professional fees	38,678	206,878	245,556
Depreciation	14,940	69,544	84,484
Travel	28,095	30,325	58,420
Office expenses and other	124,065	371,819	495,884
	<u>\$ 16,513,528</u>	<u>\$ 1,555,840</u>	<u>\$ 18,069,368</u>
	For the Year Ended December 31, 2020		
	Program Services	General and Administrative	Total
Interest on investment certificates	\$ 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>

The consolidated 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 BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

16. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, 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,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,759,255	\$ 1,796,347
Investments	148,051,895	134,792,907
Interest and other receivables	790,068	804,853
Contributions receivable	58,624	340,000
Loans receivable	102,590,060	99,079,267
Less: allowance for doubtful loans	(2,717,612)	(2,717,612)
Assets held in trust	23,475,609	22,110,082
Investments held for endowment	51,599,552	41,675,622
Financial assets, at year-end	325,607,451	297,881,466
Less those unavailable for general expenditure with one year, due to:		
Loans receivable collectible beyond one year	(92,142,560)	(96,980,693)
Accounts receivable collectible beyond one year	(361,740)	(361,740)
Investments and other financial assets held for others	(61,452,266)	(56,472,462)
Investments held in trusts and state required annuity reserves	(26,038,958)	(24,679,071)
Investments not convertible to cash within next 12 months	(10,541,780)	(7,159,766)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	(44,942,181)	(35,597,083)
Unfunded line of credit commitments	(12,750,000)	(13,430,000)
Church extension fund required liquidity reserves*	(6,670,532)	(5,254,668)
Donor-imposed purpose restrictions	(1,742,016)	(546,682)
Investments in board-designated endowments	(6,657,371)	(6,078,539)
Board designated for special projects	(72,227)	(48,151)
Financial assets available to meet cash needs for general expenditures within one year	\$ 62,235,820	\$ 51,272,611

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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. Interest on the line credit was paid monthly at the prime rate plus 0.125% (prime was 3.25% at December 31, 2020). This line of credit was unsecured and was renewable on an annual basis. It expired in July 2021 and was not renewed. No funds were borrowed under this agreement during the year ending December 31, 2020. At December 31, 2021 and 2020, the Board had \$2,024,122 and \$1,888,420, 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 25, 2022, 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, 2021 and 2020, and our report thereon dated April 25, 2022, 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 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Naperville, Illinois
April 25, 2022

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidating Statement of Financial Position

December 31, 2021

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 612,133	\$ 1,147,122	\$ -	\$ 1,759,255
Investments	153,962,856	46,869,343	(52,780,304)	148,051,895
Interest receivable	-	440,691	-	440,691
Prepaid expenses and other assets	12,061	374,195	(2,546)	383,710
Contribution Receivable	58,624	-	-	58,624
Loans receivable, net	-	99,872,448	-	99,872,448
Assets held in trust	23,475,609	-	-	23,475,609
Investments held for endowment	51,599,552	-	-	51,599,552
Property and equipment, net	111,265	2,093,649	-	2,204,914
Total Assets	\$ 229,832,100	\$ 150,797,448	\$ (52,782,850)	\$ 327,846,698
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 633,460	\$ 74,162	\$ (2,546)	\$ 705,076
Earnings payable	35,163	-	-	35,163
Investment certificates	-	136,161,959	(52,780,304)	83,381,655
Trust liability	21,207,683	-	-	21,207,683
Annuities payable	3,096,602	-	-	3,096,602
Funds held for others	61,238,259	-	-	61,238,259
Pension funds held for others	214,007	-	-	214,007
Total Liabilities	86,425,174	136,236,121	(52,782,850)	169,878,445
Net assets:				
Net assets without donor restrictions	92,142,311	14,561,327	-	106,703,638
Net assets with donor restrictions:				
Restricted by purpose or time	17,812,257	-	-	17,812,257
Restricted in perpetuity	33,452,358	-	-	33,452,358
	<u>51,264,615</u>	<u>-</u>	<u>-</u>	<u>51,264,615</u>
Total Net Assets	143,406,926	14,561,327	-	157,968,253
Total Liabilities and Net Assets	\$ 229,832,100	\$ 150,797,448	\$ (52,782,850)	\$ 327,846,698

See notes to consolidated financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidating Statement of Activities

Year Ended December 31, 2021

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Revenues:				
Interest on loans receivable	\$ -	\$ 4,673,160	\$ -	\$ 4,673,160
Contributions	24,754,036	-	(700,000)	24,054,036
Annuity contributions received	99,495	-	-	99,495
Fees and other	1,405,707	160,049	-	1,565,756
Investment income	6,649,363	530,710	(532,799)	6,647,274
Change in value of charitable gift annuities	390,050	-	-	390,050
Reimbursements from MB Loan Fund	60,310	-	(60,310)	-
	33,358,961	5,363,919	(1,293,109)	37,429,771
Reclassifications:				
Net assets released from purpose restrictions	1,993,643	-	-	1,993,643
Transfer per donor stipulation	(6,017,996)	-	-	(6,017,996)
	29,334,608	5,363,919	(1,293,109)	33,405,418
Expenses:				
Program	13,564,979	4,212,844	(1,264,295)	16,513,528
Management and general	1,043,149	541,505	(28,814)	1,555,840
	14,608,128	4,754,349	(1,293,109)	18,069,368
Change in Net Assets Without Donor Restrictions	14,726,480	609,570	-	15,336,050
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Restricted by purpose or time:				
Contributions	1,711,090	-	-	1,711,090
Fees and other	25,022	-	-	25,022
Investment income	4,503,397	-	-	4,503,397
Change in value of deferred gifts	(281,592)	-	-	(281,592)
Change in value of charitable trust agreements	197,423	-	-	197,423
Change in value of charitable gift annuities	(6,319)	-	-	(6,319)
Net assets released from restrictions	(1,993,643)	-	-	(1,993,643)
Transfer per donor stipulation	114,818	-	-	114,818
Change in Net Assets Restricted by Purpose or Time	4,270,196	-	-	4,270,196
Restricted in perpetuity:				
Contributions	90,444	-	-	90,444
Investment income	180,232	-	-	180,232
Change in value of charitable gift annuities	5,893	-	-	5,893
Transfer per donor stipulation	5,903,178	-	-	5,903,178
Change in Net Assets Restricted in Perpetuity	6,179,747	-	-	6,179,747
Change in Net Assets	25,176,423	609,570	-	25,785,993
Net Assets, Beginning of Year	118,230,503	13,951,757	-	132,182,260
Net Assets, End of Year	\$ 143,406,926	\$ 14,561,327	\$ -	\$ 157,968,253

See notes to consolidated financial statements