

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2023 and 2022

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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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, 2023 and 2022, 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, 2023 and 2022, 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 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 statements.
- 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 16, 2024

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidated Statements of Financial Position

	December 31,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 1,675,719	\$ 2,209,458
Investments	114,920,385	108,434,083
Interest receivable	592,265	524,543
Prepaid expenses and other	452,797	403,201
Contribution receivable	24,161	78,489
Loans receivable	131,756,453	130,043,358
Allowance for credit losses	(2,717,612)	(2,717,612)
Assets held in trust	24,847,985	22,441,055
Investments held for endowment	56,424,383	43,692,674
Property and equipment, net	5,004,828	2,838,621
Total Assets	\$ 332,981,364	\$ 307,947,870
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 167,127	\$ 674,879
Earnings payable	26,022	17,953
Investment certificates	95,830,881	86,626,211
Note payable	-	250
Trust liability	23,050,410	20,798,113
Annuities payable	2,992,405	3,015,732
Held for others	59,474,404	57,596,824
Pension funds held for others	194,449	196,843
Total liabilities	181,735,698	168,926,805
Net assets:		
Net Assets Without Donor Restrictions	97,308,587	96,637,866
Net Assets With Donor Restrictions:		
Restricted by purpose or time	11,958,954	8,430,074
Restricted in perpetuity	41,978,125	33,953,125
	53,937,079	42,383,199
Total net assets	151,245,666	139,021,065
Total Liabilities and Net Assets	\$ 332,981,364	\$ 307,947,870

See notes to consolidated financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Interest on loans receivable	\$ 7,691,973	\$ -	\$ 7,691,973	\$ 5,868,518	\$ -	\$ 5,868,518
Contributions	7,595,884	824,753	8,420,637	6,639,390	1,705,051	8,344,441
Gift-in-kind contributions	2,355,210	-	2,355,210	3,165,125	-	3,165,125
Fees and other	1,655,377	26,211	1,681,588	1,439,431	24,732	1,464,163
Investment income	9,349,265	6,694,908	16,044,173	(9,570,527)	(6,948,054)	(16,518,581)
Change in value of annuities and trusts	138,831	136,281	275,112	(1,862,544)	(648,072)	(2,510,616)
Change in value of deferred gifts		(80,207)	(80,207)		(760,018)	(760,018)
Total Support and Revenue	<u>28,786,540</u>	<u>7,601,946</u>	<u>36,388,486</u>	<u>5,679,393</u>	<u>(6,626,361)</u>	<u>(946,968)</u>
RECLASSIFICATIONS:						
Net assets released from purpose restrictions	2,512,716	(2,512,716)	-	3,313,134	(3,313,134)	-
Transfer per donor stipulation	(6,464,650)	6,464,650	-	(1,058,079)	1,058,079	-
Total Reclassifications	<u>(3,951,934)</u>	<u>3,951,934</u>	<u>-</u>	<u>2,255,055</u>	<u>(2,255,055)</u>	<u>-</u>
EXPENSES:						
Program services	22,347,627	-	22,347,627	16,340,287	-	16,340,287
Supporting activities:						
Management and general	1,816,258	-	1,816,258	1,659,933	-	1,659,933
Total Expenses	<u>24,163,885</u>	<u>-</u>	<u>24,163,885</u>	<u>18,000,220</u>	<u>-</u>	<u>18,000,220</u>
Change in Net Assets	670,721	11,553,880	12,224,601	(10,065,772)	(8,881,416)	(18,947,188)
Net Assets, Beginning of Year:	<u>96,637,866</u>	<u>42,383,199</u>	<u>139,021,065</u>	<u>106,703,638</u>	<u>51,264,615</u>	<u>157,968,253</u>
Net Assets, End of Year	<u>\$ 97,308,587</u>	<u>\$ 53,937,079</u>	<u>\$ 151,245,666</u>	<u>\$ 96,637,866</u>	<u>\$ 42,383,199</u>	<u>\$ 139,021,065</u>

See notes to consolidated financial statements

MENNONITE BROTHERS FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 12,224,601	\$ (18,947,188)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	120,098	85,735
Net realized and unrealized loss (gain) on investments	(13,086,260)	18,719,495
Maturities of charitable gift annuities	(107,048)	(142,029)
Maturities of trusts	-	(32,573)
Charitable gift annuity actuarial change	(72,816)	(93,676)
Change in value of charitable trusts	(154,633)	624,985
Interest reinvested in investment certificates	2,808,878	1,085,365
Donated real estate	(240,600)	(907,250)
Endowment Contributions	(169,615)	(530,694)
Loss on disposal of property and equipment	(1,000)	-
Changes in:		
Interest receivable	(67,722)	(83,852)
Prepaid expenses and other assets	(49,596)	(19,491)
Contributions receivable	54,328	(19,865)
Accounts payable and accrued expenses	(507,752)	(389,568)
Earnings payable	8,069	(17,210)
Pension funds held for others	(2,394)	(17,164)
Net Cash Provided (Used) by Operating Activities	756,538	(684,980)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	91,967,182	113,461,383
Purchase of investments	(96,224,978)	(86,250,233)
Loan advances	(20,628,419)	(35,924,774)
Loan principle received	16,915,324	8,471,476
Sale of investments for charitable gift annuities	400,228	441,017
Purchase of property and equipment	(2,285,305)	(493,248)
Net Cash Used by Investing Activities	(9,855,968)	(294,379)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments on) proceeds from note payable	(250)	250
Proceeds from sale of loan participation interest	2,000,000	-
Proceeds from issuance of investment certificates	28,038,945	16,499,815
Redemptions of investment certificates	(21,643,153)	(14,340,624)
Face value of new annuity and trust agreements	350,000	400,000
Gift portion of new charitable gift annuities	(193,463)	(245,165)
Payments on charitable gift annuities and trusts	(568,481)	(881,845)
Investment income on assets held in trust	412,478	(533,563)
Endowment Contributions	169,615	530,694
Net Cash Provided by Financing Activities	8,565,691	1,429,562
Net Change in Cash and Cash Equivalents	(533,739)	450,203
Cash and Cash Equivalents, Beginning of Year	2,209,458	1,759,255
Cash and Cash Equivalents, End of Year	\$ 1,675,719	\$ 2,209,458
SUPPLEMENTAL INFORMATION:		
Matured investment certificates reinvested	\$ 24,728,896	\$ 24,651,301
Cash paid for interest	\$ 247,841	\$ 133,971
Property and equipment acquired with accounts payable	\$ -	\$ 359,371

See notes to consolidated financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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).

BASIS OF ACCOUNTING

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting. The preparation of consolidated 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, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES:

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, 2023 and 2022, the Organization's cash balances exceeded federally insured limits by \$747 and \$3,106,630, respectively.

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 CREDIT 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 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 credit/loan losses.

Allowance for credit losses

The Fund recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the consolidated statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments.

Assets are written off when the Fund determines that such financial assets are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the consolidated statements of financial position date.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES, continued

Allowance for credit losses, continued

The Fund utilizes a loss rate approach in determining its lifetime expected credit losses on its loans. This method is used for calculating an estimate of losses based primarily on the Fund's historical loss experience. In determining its loss rates, the Fund evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that it can reasonably forecast. For the period of time beyond which it can reasonably forecast it applies immediate reversion based on the facts and circumstances as of the reporting date. The Fund concludes that it can reasonably support a forecast period of all loan segments for two years after the balance sheet date. The Fund classifies loans based on the following portfolio segments: loans to Mennonite Brethren (MB) churches and organizations, loans to non-MB churches and organizations, and loans to qualified church workers. In situations where a loan does not share the same risk characteristics with other loans, the Fund measures those loans individually.

Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider the following: borrower's creditworthiness, changes in lending policy and procedures, changes in nature and volume of the loan portfolio and in the terms of loans, changes in experience, ability and depth of lending management and staff, changes in the quality of the loan review system, changes in the loan-to-value ratios, existence and effect of any concentration of credit and changes in the level of such concentrations, effect of other external forces such as natural disasters, pastoral vacancies, and other external factors like regulatory, legal and technological environments, and competition, and the current and forecasted direction of the economic and business environment. Such forecasted information includes: GDP growth, unemployment rates, and church giving trends.

The Fund also has off-balance sheet financial instruments, which include church standby letters of credit and construction loans. The Fund minimizes these risks through underwriting guidelines and prudent risk management techniques. The Fund estimates a liability for loan commitments that are not unconditionally cancellable by the Fund based on the likelihood of funding and an estimate of credit losses over the life after funding. Credit loss methodology is based on a loss rate approach that starts with the probability of funding based on historical experience and adjusted for current conditions and further adjusted for the period of time that can be reasonably forecast. For the period of time beyond which the Fund can reasonably forecast, it applies immediate reversion based on the facts and circumstances as of the reporting date. The Fund has concluded that it can reasonably support a forecast period for two years after the consolidated statements of financial position date. As of December 31, 2023, the Fund recorded a liability of off-balance sheet unfunded commitments totaling approximately \$354,000. Due to immateriality, this amount has been combined with the allowance for credit losses in the consolidated statements of financial position.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES, continued

Credit quality indicators

The Fund categorizes its loans as performing or nonperforming. Status for performing and nonperforming 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 Fund evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics and performance status change.

The Fund elects to present the accrued interest receivable balance separately in the consolidated statements of financial position from the amortized cost of the loans receivable. The Fund elected not to measure an allowance for credit losses for accrued interest receivable. For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due and management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible within the stated term of the loan. All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on nonaccrual loans generally is either applied against principal, or reported as interest income, according to management's judgment as to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured. The Fund did not write off any loan accrued interest receivables during the years ended December 31, 2023, 2022, and 2021. 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.

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.

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

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

Property and equipment consist of the following:

	December 31,	
	2023	2022
Office building and land	\$ 4,930,691	\$ 2,182,318
Furniture, fixtures and equipment	613,576	310,705
	<u>5,544,267</u>	<u>2,493,023</u>
Less accumulated depreciation	(539,439)	(466,234)
Construction in progress	-	811,832
	<u>\$ 5,004,828</u>	<u>\$ 2,838,621</u>

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.

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 \$7,713,163 and \$7,422,547 at December 31, 2023 and 2022, respectively, including \$2,228,563 and \$2,263,210, 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, 2023 and 2022

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 statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Advertising costs are expensed as incurred and totaled \$70,670 and \$65,569 for the years ended December 31, 2023 and 2022, respectively.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

GIFT-IN-KIND CONTRIBUTIONS

For the years ended December 31, gift-in-kind contributions recognized within the consolidated statements of activities included:

	December 31,	
	2023	2022
Commodities	\$ 1,935,853	\$ 1,966,015
Real estate	240,600	907,250
Personal property	178,757	291,860
	<u>\$ 2,355,210</u>	<u>\$ 3,165,125</u>

The Organization recognized gift-in-kind contributions within revenue, which included agricultural commodities, real estate, and personal property. These contributions did not have any donor-imposed restrictions.

It is the Organization's policy to sell all contributed commodities and personal property immediately upon receipt, which were valued according to the actual cash proceeds received upon disposition. The values of real estate and significant personal property that cannot be sold immediately upon receipt is determined by an appraisal.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU introduced a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current Generally Accepted Accounting Principles, which generally require that a loss be incurred before it is recognized.

On January 1, 2023, the Organization adopted the guidance prospectively with no cumulative adjustment to net assets needed. The Organization has not restated comparative information for 2022 and 2021 and, therefore, the comparative information for 2022 and 2021 is reported under the old model and is not comparable to the information presented for 2023.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

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3. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2023	2022
At fair value:		
Money market funds	\$ 14,586,208	\$ 12,810,587
Certificates of deposit	2,870,137	1,692,437
U.S. government securities	6,611,072	6,225,779
Corporate bonds	16,615,123	17,025,457
Equities	97,496,093	75,062,715
Mutual funds	31,042,692	29,269,477
Mortgage pools	10,499,516	10,570,962
CMO and asset backed securities	1,096,317	1,792,075
Non-publicly traded securities	570,400	508,400
Real estate	3,192,573	3,916,513
Commodities	188,510	311,786
	184,768,641	159,186,188
At Cost:		
Denominational loan fund certificates	4,042,370	7,568,491
Certificate of deposit	-	254,375
	4,042,370	7,822,866
At contract value		
Cash value life insurance	390,737	396,562
	390,737	396,562
At other than fair value:		
Loans receivable	6,991,005	7,162,196
	6,991,005	7,162,196
Less:		
Investments held for endowment	(56,424,383)	(43,692,674)
Assets held in trust	(24,847,985)	(22,441,055)
	\$114,920,385	\$108,434,083

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

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3. INVESTMENTS, continued:

Investment income consists of the following for the years ended:

	December 31,	
	2023	2022
Interest and dividend income	\$ 3,598,992	\$ 2,867,162
Net realized and unrealized (losses) gains	13,086,260	(18,719,495)
Investment management and custodial fees	(641,079)	(666,248)
	\$ 16,044,173	\$ (16,518,581)

4. LOANS RECEIVABLE, NET:

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

	December 31,	
	2023	2022
4 1/2% or less	\$ 9,581,915	\$ 9,670,030
over 4 1/2 to 5 1/2%	4,327,133	51,798,207
over 5 1/2 to 6 1/2%	50,414,219	59,706,623
over 6 1/2 to 7 1/2%	58,086,666	8,868,498
over 7 1/2 to 8 1/2%	9,346,520	-
	131,756,453	130,043,358
Allowance for credit losses	(2,717,612)	(2,717,612)
	\$129,038,841	\$127,325,746

A summary of loans receivable classified by loan portfolio segment is as follows:

	December 31,	
	2023	2022
MB organizations	\$ 41,936,189	\$ 47,534,673
Non-MB organizations	79,365,393	72,838,655
Qualified church workers	10,454,871	9,670,030
	131,756,453	130,043,358
Allowance for credit losses	(2,717,612)	(2,717,612)
	\$129,038,841	\$127,325,746

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

4. LOANS RECEIVABLE, NET, continued:

The following summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023, under the CECL methodology:

	MB Organizations	Non-MB Organizations	Qualified Church Workers	Total
Balance, December 31, 2022	\$ 1,512,338	\$ 1,157,302	\$ 47,972	\$ 2,717,612
Adjustment to allowance for adoption of Topic 326	(548,878)	533,550	15,328	-
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Provision for credit losses	-	-	-	-
End of year	\$ 963,460	\$ 1,690,852	\$ 63,300	\$ 2,717,612

Prior to the adoption of ASU 2016-13 on January 1, 2023, the Fund calculated the allowance for loan losses under the incurred loss methodology. The following table is the disclosure related to the allowance for loan losses in prior periods:

	December 31, 2022
Beginning of year	\$ 2,717,612
Provision for losses	-
End of year	\$ 2,717,612

Prior to the adoption of ASU 2016-13, the Fund evaluated loans for impairment on an individual basis if the loan was more than 90 days delinquent. These loans were then given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans were evaluated for allowance on a collective basis. At December 31, 2022, one loan receivable totaling \$546,081, with an allowance totaling \$6,826, was evaluated individually for impairment. All other loans were collectively evaluated and no impairment was noted. At December 31, 2023, all loans were collectively evaluated and no impairment was noted.

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

4. LOANS RECEIVABLE, NET, continued:

The following table presents loans by credit quality indicator for the year ended December 31, 2023:

	MB Organizations	Non-MB Organizations	Qualified Church Workers	Total
Performing	\$ 41,936,189	\$ 79,365,393	\$ 10,454,871	\$ 131,756,453
Nonperforming	-	-	-	-
	\$ 41,936,189	\$ 79,365,393	\$ 10,454,871	\$ 131,756,453

The following table presents loans by credit quality indicator for the year ended December 31, 2022:

	MB Organizations	Non-MB Organizations	Qualified Church Workers	Total
Performing	\$ 46,988,592	\$ 72,838,655	\$ 9,670,030	\$ 129,497,277
Nonperforming	546,081	-	-	546,081
	\$ 47,534,673	\$ 72,838,655	\$ 9,670,030	\$ 130,043,358

Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

An aging analysis of the principal of past due loans receivable by portfolio segment as of December 31, 2023, is as follows:

	MB Organizations	Non-MB Organizations	Qualified Church Workers	Total
Past due:				
Greater than 90 days	\$ -	\$ -	\$ -	\$ -
Current	41,936,189	79,365,393	10,454,871	131,756,453
	\$ 41,936,189	\$ 79,365,393	\$ 10,454,871	\$ 131,756,453

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

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4. LOANS RECEIVABLE, NET, continued:

An aging analysis of the principal of past due loans receivable by portfolio segment as of December 31, 2022, is as follows:

	MB Organizations	Non-MB Organizations	Qualified Church Workers	Total
Past due:				
Greater than 90 days	\$ 546,081	\$ -	\$ -	\$ 546,081
Current	46,988,592	72,838,655	9,670,030	129,497,277
	\$ 47,534,673	\$ 72,838,655	\$ 9,670,030	\$ 130,043,358

The Fund classifies loans as past due if the loan is more than 30 days past due but less than 90 days delinquent. At December 31, 2022, the Fund had one delinquent loan with a principal balance of \$546,081. The amount of interest and principal payments owing on this delinquent loan was \$9,837. Interest income recognized on this delinquent loan during 2022 was \$28,988. The Fund believes that the collateral related to the delinquent loan will be sufficient to repay the loan balance. There were no past due loans classified as delinquent or impaired as of December 31, 2023.

The delinquent loan totaling \$546,081 was 0.42% of the Fund's aggregate principal balance of total loans outstanding at December 31, 2022.

Loans receivable at December 31, 2023, will mature as follows:

Year	Amount
2024	\$ 17,851,317
2025	3,331,155
2026	18,397,799
2027	27,745,328
2028	12,600,742
Thereafter	51,830,112
	\$131,756,453

As of December 31, 2023, the Fund had no unsecured loans and five loans totaling \$3,561,522 secured by other assets. The loans receivable earned interest at fixed or variable rates which ranged from 2.47 percent to 8.00 percent at December 31, 2023.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

4. LOANS RECEIVABLE, NET, continued:

The Fund had 177 loans at December 31, 2023. 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, 2023, were located in the following states:

State	Number of Loans	Principal Outstanding	Percent of Loan Portfolio
California	67	\$ 56,470,038	43%
Washington	13	13,289,780	10%
Kansas	21	12,327,571	9%
Utah	9	9,432,124	7%
Oregon	12	7,944,013	6%
	122	\$ 99,463,526	75%

At December 31, 2023, the Fund had 139 borrowers with balances as follows:

Loan Balance	Number of Borrowers	Principal Outstanding	Percent of Loan Portfolio
\$0 - \$500,000	75	\$ 14,682,738	11%
\$ 500,001 - \$1,000,000	29	21,459,699	16%
\$1,000,001 - \$1,500,000	12	15,010,820	12%
\$1,500,001 - \$2,000,000	10	16,684,242	13%
\$2,000,001 - \$2,500,000	5	10,744,249	8%
\$2,500,001 - \$3,000,000	1	2,821,578	2%
Over \$3,000,000	7	50,353,127	38%
	139	\$131,756,453	100.0%

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, 2023, there were three individually significant borrowers whose balances totaled \$33,486,909.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 statements of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the Organization's consolidated statements of financial position. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a stated contract rate and applicable mortality tables.

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

	December 31,	
	2023	2022
Money market funds	\$ 630,966	\$ 538,557
Equities, equity and bond funds	24,147,108	20,934,015
Corporate notes	27,285	25,681
Real estate	-	865,000
Loans receivable	42,626	77,802
	<u>\$ 24,847,985</u>	<u>\$ 22,441,055</u>

The above amounts are included as assets of the Foundation.

Liabilities and net assets held in trust consist of:

	December 31,	
	2023	2022
Irrevocable charitable beneficiary - payment liability	\$ 1,099,747	\$ 1,010,155
Revocable charitable beneficiary (liability equals assets)	21,950,663	19,787,958
	<u>23,050,410</u>	<u>20,798,113</u>
Net assets with donor restrictions for irrevocable charitable remainder trusts	1,797,575	1,642,942
	<u>\$ 24,847,985</u>	<u>\$ 22,441,055</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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

	December 31,	
	2023	2022
Change in Value of Charitable Gift Annuities:		
Interest and dividends	\$ 190,029	\$ 144,623
Net realized and unrealized losses	779,687	(1,366,259)
Actuarial change	72,816	93,676
Maturities	107,048	142,029
Transfer to endowment upon maturity of annuity	(315,821)	(182,888)
Payments and distributions (including miscellaneous expenses)	(713,280)	(716,812)
	120,479	(1,885,631)
Change in Value of Charitable Trusts (Irrevocable Beneficiary):		
Interest and dividends	68,241	52,745
Net realized and unrealized losses	344,237	(586,308)
Maturities	-	32,573
Actuarial change	(89,592)	349,406
Payments and distributions (including miscellaneous expenses)	(168,253)	(473,401)
	154,633	(624,985)
Total change in value of annuities and trusts	\$ 275,112	\$ (2,510,616)

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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 eleven months to five years or on demand and earn interest at variable rates (from 3.00% to 5.10% at December 31, 2023). The Fund was indebted on investment certificates as summarized below:

	December 31,	
	2023	2022
Demand:		
Advantage	\$ 12,527,136	\$ 16,136,987
Demand	6,952,659	5,546,813
	19,479,795	21,683,800
Term:		
11 month	9,830,023	-
One year	12,377,755	13,018,219
13 month	7,246,042	-
Two year	5,343,117	7,010,659
Three year	4,718,643	5,930,149
Four year	955,261	2,540,253
Five year	35,880,245	36,443,131
	76,351,086	64,942,411
	\$ 95,830,881	\$ 86,626,211

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	\$ 19,479,795
2024	44,197,552
2025	9,269,630
2026	9,273,484
2027	9,001,917
2028	4,608,503
	\$ 95,830,881

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

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7. INVESTMENT CERTIFICATES, continued:

At December 31, 2023, the Fund had a total of 239 investors 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	109	\$ 14,603,804	15%
\$200,001 - \$300,000	54	13,111,189	14%
\$300,001 - \$500,000	40	15,316,380	16%
Greater than \$500,000	33	33,707,169	35%
Related parties (Note 11)	3	1,255,760	1%
	239	\$ 77,994,302	81%

At December 31, 2023, the Fund had 1,934 certificates, with the primary concentrations by state as follows:

State	Number of Certificates	Aggregate Investment Certificate Balances	Percent of Certificate Balances Outstanding
Kansas	836	\$ 30,371,723	32%
California	523	31,425,027	33%
Oklahoma	231	11,729,709	12%
South Dakota	130	5,772,036	6%
	1,720	\$ 79,298,495	83%

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

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8. NET ASSETS:

Net assets consist of:

	December, 31	
	2023	2022
Net Assets without donor restrictions:		
Undesignated	\$ 80,021,631	\$ 80,903,350
Capital adequacy reserve	8,224,349	7,822,175
Board designated endowment	6,555,614	5,343,571
Board designated reserve	2,506,993	2,568,770
Total net assets without donor restrictions	97,308,587	96,637,866
Net assets with donor restrictions:		
Subject to expenditure for specified purposes:		
Scholarships and grants	830,527	867,070
Subject to the passage of time:		
Unitrust-restricted beneficiaries	1,797,575	1,642,942
Life estates	1,440,208	1,524,084
	3,237,783	3,167,026
Subject to Foundation's spending policy and appropriations:		
Accumulated gains	5,176,730	1,952,247
Term endowments	2,713,914	2,443,731
Endowment funds restricted in perpetuity	41,954,487	33,914,812
	49,845,131	38,310,790
Subject to restriction in perpetuity:		
Annuity funds-restricted for endowment	23,638	38,313
Total net assets with donor restrictions	53,937,079	42,383,199
Total net assets	\$151,245,666	\$139,021,065

The Foundation's governing board through specific action has created self-imposed limits on net assets without donor restrictions. The board has set aside \$9,062,608 and \$7,912,342 for the following purposes as of December 31, 2023 and 2022, respectively. These net assets can be drawn upon if the board approves such action.

	December 31,	
	2023	2022
For investment as a board-designated endowment	\$ 6,555,614	\$ 5,343,571
Operating reserves	2,470,390	2,402,100
For special projects	36,603	166,670
	\$ 9,062,607	\$ 7,912,341

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

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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, 2023, approximately \$176.8 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 2, 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, 2023, approximately 32% of the loans were to qualified organizations, 8% were to qualified church workers and 60% 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 \$3,561,522 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 \$107,948 and \$80,833 during 2023 and 2022, respectively.

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

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11. RELATED PARTY TRANSACTIONS:

Some of the Organization's board members also serve on the boards of the U.S. Conference of Mennonite Brethren Churches (U.S. Conference). 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, 2023, the Fund had four loans with an outstanding consolidated balance of \$599,112, with a weighted average interest rate of 2.71%, with four officers. As of that same date, the Fund had three loans outstanding to three employees with an outstanding consolidated balance of \$119,978 with an interest rate of 3.02%. At December 31, 2023, the Fund had seven certificates totaling \$737,243, with an average interest rate of 3.85%, to a Mennonite Brethren Conference who has a board member also on the Fund's board. The fund also has 15 certificates totaling \$472,959 with an average interest rate of 3.94%, to churches who have board members on the Fund's board or officers of the Fund and six certificates totaling \$127,421, with an average interest rate of 3.79%, to a ministry who has a board member that is also an officer of the Fund. At December 31, 2023, 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 5.75%, of which is \$200,000 is unfunded. At December 31, 2023, the Fund also had a loan with an outstanding balance of \$21,854, and an interest rate of 6.5%, to a church who has a board member that is also an officer of the Fund.

At December 31, 2022, the Fund had four loans with an outstanding consolidated balance of \$618,283, with a weighted average interest rate of 2.71%, with four officers. As of that same date, the Fund had three loans outstanding to three employees with an outstanding consolidated balance of \$129,199 with an interest rate of 2.95%. At December 31, 2022, the Fund had seven certificates totaling \$840,614, with an average interest rate of 1.58%, to a Mennonite Brethren Conference who has a board member also on the Fund's board. The fund also has 14 certificates totaling \$473,787 with an average interest rate of 1.68%, to churches who have board members on the Fund's board or officers of the Fund and four certificates totaling \$113,741, with an average interest rate of 1.43%, to a ministry who has a board member that is also an officer of the Fund. At December 31, 2022, 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 5.75%, of which is \$180,000 is unfunded. At December 31, 2022, the Fund also had a loan with an outstanding balance of \$34,691, and an interest rate of 5.25%, to a church who has a board member that is also an officer of the Fund.

During 2023 and 2022, the Foundation also made a grant totaling \$180,000 and \$180,000, 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 of Mennonite Brethren churches, organizations and qualified church workers. At December 31, 2023, the Fund had outstanding commitments of approximately \$21,994,000 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 179 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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13. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2023:

	Without donor restrictions	With donor restrictions		Total with donor restrictions	Total funds
		Original gift amount	Accumulated gains (losses) and other		
Donor-restricted funds	\$ -	\$ 41,978,125	\$ 7,890,644	\$ 49,868,769	\$ 49,868,769
Board-designated funds	6,555,614	-	-	-	6,555,614
Total funds	\$ 6,555,614	\$ 41,978,125	\$ 7,890,644	\$ 49,868,769	\$ 56,424,383

Changes in endowment net assets for year ended December 31, 2023:

	Without donor restrictions	Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	Total funds
Endowment net assets, beginning of year	\$ 5,343,571	\$ 33,953,125	\$ 4,395,978	\$ 38,349,103	\$ 43,692,674
Investment return, net	867,551	1,342,659	5,299,976	6,642,635	7,510,186
Contributions	6	169,615	-	169,615	169,621
Change in value of annuities	-	(14,675)	-	(14,675)	(14,675)
Rental Income	-	-	26,211	26,211	26,211
Amount appropriated for expenditures	(193,341)	-	(1,712,522)	(1,712,522)	(1,905,863)
Transfers	537,827	6,526,585	(118,183)	6,408,402	6,946,229
Reclassification	-	816	(816)	-	-
	<u>1,212,043</u>	<u>8,025,000</u>	<u>3,494,666</u>	<u>11,519,666</u>	<u>12,731,709</u>
Endowment net assets, end of year	\$ 6,555,614	\$ 41,978,125	\$ 7,890,644	\$ 49,868,769	\$ 56,424,383

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

13. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2022:

	Without donor restrictions	With donor restrictions		Total with donor restrictions	Total funds
		Original gift amount	Accumulated gains (losses) and other		
Donor-restricted funds	\$ -	\$ 33,953,125	\$ 4,395,978	\$ 38,349,103	\$ 38,349,103
Board-designated funds	5,343,571	-	-	-	5,343,571
Total funds	\$ 5,343,571	\$ 33,953,125	\$ 4,395,978	\$ 38,349,103	\$ 43,692,674

Changes in endowment net assets for year ended December 31, 2022:

	Without donor restrictions	Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	Total funds
Endowment net assets, beginning of year	\$ 6,657,371	\$ 33,452,358	\$ 11,489,823	\$ 44,942,181	\$ 51,599,552
Investment return, net	(1,090,617)	(1,466,293)	(5,484,568)	(6,950,861)	(8,041,478)
Contributions	-	530,694	-	530,694	530,694
Change in value of annuities	-	(9,068)	-	(9,068)	(9,068)
Rental Income	-	-	24,732	24,732	24,732
Amount appropriated for expenditures	(184,348)	-	(1,517,403)	(1,517,403)	(1,701,751)
Transfers	(38,835)	1,444,592	(115,764)	1,328,828	1,289,993
Reclassification	-	842	(842)	-	-
	<u>(1,313,800)</u>	<u>500,767</u>	<u>(7,093,845)</u>	<u>(6,593,078)</u>	<u>(7,906,878)</u>
Endowment net assets, end of year	\$ 5,343,571	\$ 33,953,125	\$ 4,395,978	\$ 38,349,103	\$ 43,692,674

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

13. ENDOWMENT FUNDS, continued:

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, 2023, deficiencies of this nature existed in 12 donor-restricted endowment funds, which had an original gift value of \$7,740,474, a current fair value of 7,211,807, and a deficiency of \$528,669. This deficiency resulted from unfavorable market conditions in 2022. December 31, 2022, deficiencies of this nature existed in 46 donor-restricted endowment funds, which had an original gift value of \$13,750,841, a current fair value of \$12,128,294, and a deficiency of \$1,622,547. This deficiency resulted from unfavorable market conditions in 2022.

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.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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.

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2023:

	Total	Level 1	Level 2	Level 3
Corporate bonds				
AAA	\$ 89,190	\$ -	\$ 89,190	\$ -
AA	500,299	-	500,299	-
A	6,091,567	-	6,091,567	-
BBB	9,731,871	-	9,731,871	-
BB+ or below/not rated	202,196	-	202,196	-
	<u>16,615,123</u>	<u>-</u>	<u>16,615,123</u>	<u>-</u>
Mutual funds:				
Equity funds	25,114,886	25,114,886	-	-
Fixed income funds	5,927,806	5,927,806	-	-
	<u>31,042,692</u>	<u>31,042,692</u>	<u>-</u>	<u>-</u>
Equities	97,496,093	97,496,093	-	-
Money market funds	14,586,208	14,586,208	-	-
Certificates of deposit	2,870,137	-	2,870,137	-
U.S. government securities	6,611,072	-	6,611,072	-
Mortgage pools	10,499,516	-	10,499,516	-
CMO and asset backed securities	1,096,317	-	1,096,317	-
Non-publicly traded securities	570,400	-	570,400	-
Real estate	3,192,573	-	3,192,573	-
Commodities	188,510	-	188,510	-
	<u>137,110,826</u>	<u>112,082,301</u>	<u>25,028,525</u>	<u>-</u>
	<u>\$184,768,641</u>	<u>\$143,124,993</u>	<u>\$ 41,643,648</u>	<u>\$ -</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds				
AAA	\$ 92,260	\$ -	\$ 92,260	\$ -
AA	1,425,692	-	1,425,692	-
A	5,193,773	-	5,193,773	-
BBB	10,019,203	-	10,019,203	-
BB+ or below/not rated	294,529	-	294,529	-
	<u>17,025,457</u>	<u>-</u>	<u>17,025,457</u>	<u>-</u>
Mutual funds:				
Equity funds	22,638,632	22,638,632	-	-
Fixed income funds	6,630,845	6,630,845	-	-
	<u>29,269,477</u>	<u>29,269,477</u>	<u>-</u>	<u>-</u>
Equities	75,062,715	75,062,715	-	-
Money market funds	12,810,587	12,810,587	-	-
Certificates of deposit	1,692,437	-	1,692,437	-
U.S. government securities	6,225,779	-	6,225,779	-
Mortgage pools	10,570,962	-	10,570,962	-
CMO and asset backed securities	1,792,075	-	1,792,075	-
Non-publicly traded securities	508,400	-	508,400	-
Real estate	3,916,513	-	3,916,513	-
Commodities	311,786	-	311,786	-
	<u>112,891,254</u>	<u>87,873,302</u>	<u>25,017,952</u>	<u>-</u>
	<u>\$159,186,188</u>	<u>\$117,142,779</u>	<u>\$ 42,043,409</u>	<u>\$ -</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 years ended December 31, 2023 and 2022:

	For the Year Ended December 31, 2023		
	Program Services	General and Administrative	Total
Interest on investment certificates	\$ 4,980,222	\$ -	\$ 4,980,222
Salaries and benefits	1,233,095	996,641	2,229,736
Distributions to others	15,856,405	-	15,856,405
Professional fees	38,169	190,197	228,366
Depreciation	24,957	95,141	120,098
Travel	29,872	35,977	65,849
Office expenses and other	184,907	498,302	683,209
	<u>\$ 22,347,627</u>	<u>\$ 1,816,258</u>	<u>\$ 24,163,885</u>
	For the Year Ended December 31, 2022		
	Program Services	General and Administrative	Total
Interest on investment certificates	\$ 1,876,731	\$ -	\$ 1,876,731
Salaries and benefits	1,016,512	917,909	1,934,421
Distributions to others	13,169,346	-	13,169,346
Professional fees	37,651	205,717	243,368
Depreciation	18,755	66,980	85,735
Travel	25,744	25,144	50,888
Office expenses and other	195,548	444,183	639,731
	<u>\$ 16,340,287</u>	<u>\$ 1,659,933</u>	<u>\$ 18,000,220</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 BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

16. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of December 31, 2023 and 2022, 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,675,719	\$ 2,209,458
Investments	114,920,385	108,434,083
Interest and other receivables	1,229,496	884,311
Contributions receivable	24,161	78,489
Loans receivable	131,756,453	130,043,358
Less: allowance for doubtful loans	(2,717,612)	(2,717,612)
Assets held in trust	24,847,985	22,441,055
Investments held for endowment	56,424,383	43,692,674
Financial assets, at year-end	328,160,970	305,065,816
Less those unavailable for general expenditure with one year, due to:		
Loans receivable collectible beyond one year	(113,905,137)	(122,250,847)
Accounts receivable collectible beyond one year	(361,740)	(361,740)
Investments and other financial assets held for others	(59,668,853)	(57,793,667)
Investments held in trusts and state required annuity reserves	(27,076,548)	(24,704,265)
Investments not convertible to cash within next 12 months	(9,700,011)	(10,128,817)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	(49,868,769)	(38,349,103)
Church extension fund required liquidity reserves*	(5,749,853)	(5,197,573)
Donor-imposed purpose restrictions	(830,527)	(867,070)
Investments in board designated endowments	(6,555,614)	(5,343,571)
Board designated for special projects	(36,603)	(166,670)
Financial assets available to meet cash needs for general expenditures within one year	\$ 54,407,315	\$ 37,020,439

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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. Certificates held by the Foundation are excluded from this calculation.

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 2022, allowing for maximum borrowings of \$5,000,000, of which \$0 and \$250 was outstanding at December 31, 2023 and 2022, respectively. Interest on the line of credit is paid monthly at the prime rate plus 0.125%. This line of credit is unsecured and expires in December 2025. At December 31, 2023 and 2022, the Board had \$2,470,390 and \$2,402,100, 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. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 16, 2024, 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, 2023 and 2022, and our report thereon dated April 16, 2024, 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 16, 2024

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidating Statement of Financial Position

December 31, 2023

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 575,942	\$ 1,099,777	\$ -	\$ 1,675,719
Investments	138,237,324	28,761,983	(52,078,922)	114,920,385
Interest receivable	-	592,265	-	592,265
Prepaid expenses and other	92,837	379,183	(19,223)	452,797
Contribution Receivable	24,161	-	-	24,161
Loans receivable	-	131,756,453	-	131,756,453
Allowance for credit losses	-	(2,717,612)	-	(2,717,612)
Assets held in trust	24,847,985	-	-	24,847,985
Investments held for endowment	56,424,383	-	-	56,424,383
Property and equipment, net	389,906	4,614,922	-	5,004,828
	\$ 220,592,538	\$ 164,486,971	\$ (52,098,145)	\$ 332,981,364
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 107,285	\$ 79,065	\$ (19,223)	\$ 167,127
Earnings payable	26,022	-	-	26,022
Investment certificates	-	147,909,803	(52,078,922)	95,830,881
Note payable	-	-	-	-
Trust liability	23,050,410	-	-	23,050,410
Annuities payable	2,992,405	-	-	2,992,405
Funds held for others	59,474,404	-	-	59,474,404
Pension funds held for others	194,449	-	-	194,449
Total liabilities	85,844,975	147,988,868	(52,098,145)	181,735,698
Net assets:				
Net assets without donor restrictions	80,810,484	16,498,103	-	97,308,587
Net assets with donor restrictions:				
Restricted by purpose or time	11,958,954	-	-	11,958,954
Restricted in perpetuity	41,978,125	-	-	41,978,125
	53,937,079	-	-	53,937,079
Total net assets	134,747,563	16,498,103	-	151,245,666
Total Liabilities and Net Assets	\$ 220,592,538	\$ 164,486,971	\$ (52,098,145)	\$ 332,981,364

See notes to consolidated financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidating Statement of Activities

Year Ended December 31, 2023

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Revenues:				
Interest on loans receivable	\$ -	\$ 7,691,973	\$ -	\$ 7,691,973
Contributions	11,750,784	-	(4,348,363)	7,402,421
Gift-in-kind contributions	2,355,210	2,748,363	(2,748,363)	2,355,210
Annuity contributions received	193,463	-	-	193,463
Fees and other	1,391,143	264,234	-	1,655,377
Investment income	8,257,572	1,673,607	(581,914)	9,349,265
Change in value of charitable gift annuities	138,831	-	-	138,831
Reimbursements from MB Loan Fund	87,023	-	(87,023)	-
	24,174,026	\$12,378,177.00	(7,765,663)	28,786,540
Reclassifications:				
Net assets released from purpose restrictions	2,512,716	-	-	2,512,716
Transfer per donor stipulation	(6,464,650)	-	-	(6,464,650)
	20,222,092	12,378,177	(7,765,663)	24,834,606
Expenses:				
Program	19,476,788	10,599,316	(7,728,477)	22,347,627
Management and general	1,248,557	604,887	(37,186)	1,816,258
	20,725,345	11,204,203	(7,765,663)	24,163,885
Change in Unrestricted Net Assets	(503,253)	1,173,974	-	670,721
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Restricted by purpose or time:				
Contributions	655,138	-	-	655,138
Fees and other	26,211	-	-	26,211
Investment income	5,352,249	-	-	5,352,249
Change in value of deferred gifts	(80,207)	-	-	(80,207)
Change in value of charitable trust agreements	154,633	-	-	154,633
Change in value of charitable gift annuities	(3,677)	-	-	(3,677)
Net assets released from restrictions	(2,512,716)	-	-	(2,512,716)
Transfer per donor stipulation	(62,751)	-	-	(62,751)
Change in Net Assets Restricted by Purpose or Time	3,528,880	-	-	3,528,880
Restricted in perpetuity:				
Contributions	169,615	-	-	169,615
Investment income	1,342,659	-	-	1,342,659
Change in value of charitable gift annuities	(14,675)	-	-	(14,675)
Transfer per donor stipulation	6,527,401	-	-	6,527,401
Change in Net Assets Restricted in Perpetuity	8,025,000	-	-	8,025,000
Change in Net Assets	11,050,627	1,173,974	-	12,224,601
Net Assets, Beginning of Year:	123,696,936	15,324,129	-	139,021,065
Net Assets, End of Year	\$ 134,747,563	\$ 16,498,103	\$ -	\$ 151,245,666

See notes to consolidated financial statements