MERCY CORPS AND AFFILIATES

Consolidated Financial Statements
and Supplemental Schedules

June 30, 2022
(With comparative financial information as of and for the year ended
June 30, 2021)

(With Independent Auditors' Report Thereon)

MERCY CORPS AND AFFILIATES

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
Mercy Corps and affiliates:

Opinion

We have audited the consolidated financial statements of Mercy Corps and affiliates (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the consolidated financial statements in accordance with U.S. generally accepted accounting principles, 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 the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information in schedules I and II is 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Portland, Oregon
November 4, 2022

MERCY CORPS AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2022
(With comparative financial information as of June 30, 2021)

(In thousands)

Assets		**2022**	**2021**
Cash and cash equivalents	$	171,365	163,489
Investments		28,575	16,066
Grants and accounts receivable		82,462	67,242
Microfinance loans receivable, net		126,624	97,945
Inventories and material aid		811	587
Prepaid expenses, deposits, and other assets		12,050	12,540
Program-related investments		3,803	3,022
Property and equipment, net		32,200	32,573
Total assets	$	457,890	393,464
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	70,265	80,892
Deferred revenue		90,777	79,146
Customer deposits for microfinance activities		93,031	74,501
Subsidiary debt for microfinancing activities		21,783	20,652
Long-term debt		4,928	7,527
Total liabilities		280,784	262,718
Net assets:			
Without donor restrictions:			
Controlling interests		125,444	105,222
Noncontrolling interests		16,666	11,888
Total without donor restrictions		142,110	117,110
With donor restrictions		34,996	13,636
Total net assets		177,106	130,746
Total liabilities and net assets	$	457,890	393,464

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2022
(With summarized financial information for the year ended June 30, 2021)

(In thousands)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Operating support and revenue:				
Public support and revenue:				
Government grants	$ 392,068	1,887	393,955	385,456
Material aid	185	—	185	1,386
Total public support and revenue	392,253	1,887	394,140	386,842
Other support and multilateral revenue:				
Other grants	92,342	—	92,342	106,813
Contributions	37,546	32,781	70,327	37,892
Gifts in kind	2,218	—	2,218	1,335
Bequests	2,503	—	2,503	3,948
Total other support and multilateral revenue	134,609	32,781	167,390	149,988
Other revenue:				
Interest income	28,147	—	28,147	24,189
Other revenue	3,340	657	3,997	3,791
Total other revenue	31,487	657	32,144	27,980
Net assets released from donor restrictions	14,919	(14,919)	—	—
Total operating support and revenue	573,268	20,406	593,674	564,810
Operating expenses:				
Program services:				
Humanitarian assistance – relief	129,983	—	129,983	150,334
Humanitarian assistance – recovery	32,129	—	32,129	26,377
Livelihood/economic development	175,905	—	175,905	161,818
Civil society and education	83,086	—	83,086	83,327
Health	42,816	—	42,816	60,578
Total program services	463,919	—	463,919	482,434
Supporting services:				
General and administrative	65,016	—	65,016	57,796
Resource development	18,380	—	18,380	18,060
Total supporting services	83,396	—	83,396	75,856
Total operating expenses	547,315	—	547,315	558,290
Change in net assets from operations	25,953	20,406	46,359	6,520
Nonoperating revenue and losses net:				
Foreign currency exchange loss, net	(1,792)	(1)	(1,793)	(6)
Realized and unrealized (loss) gain on investments, net	(635)	—	(635)	239
Gain on extinguishment of debt	—	—	—	7,612
Total nonoperating (losses) revenue, net	(2,427)	(1)	(2,428)	7,845
Change in net assets before other interests	23,526	20,405	43,931	14,365
Contributions from acquisitions	1,474	955	2,429	—
Change in net assets	25,000	21,360	46,360	14,365
Net assets at beginning of year	117,110	13,636	130,746	116,381
Net assets at end of year	$ 142,110	34,996	177,106	130,746

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended June 30, 2022
(With comparative financial information for the year ended June 30, 2021)

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	46,360	14,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		4,246	4,426
Provision for loan losses		593	(225)
Net realized and unrealized loss (gain) on investments		635	(239)
Unrealized loss on foreign exchange arrangements and financial instruments		1,793	6
Gain on disposition of fixed assets		—	(2,033)
Gain on extinguishment of debt		—	(7,611)
Effects of currency translation on cash and cash equivalents		(4,006)	696
Contribution of Energy 4 Impact		(2,429)	—
Changes in assets and liabilities:			
Grants and accounts receivable		(17,609)	(1,805)
Inventories		(224)	373
Prepaid expenses, deposits, and other assets		462	(2,341)
Customer deposits for microfinance activities		18,459	20,674
Accounts payable and accrued liabilities		(9,605)	9,799
Deferred revenue		11,632	(20,309)
Net cash provided by operating activities		50,307	15,776
Cash flows from investing activities:			
Cash acquired from Energy 4 Impact		1,480	—
Acquisition of investments		(30,846)	(4,744)
Proceeds from sale of investments		16,921	2,542
Issuances of microfinance loans		(121,779)	(96,156)
Repayments on microfinance loans		98,346	86,908
Acquisition of property and equipment		(4,149)	(3,786)
Proceeds from sale of PPE		252	5,265
Net cash used in investing activities		(39,775)	(9,971)
Cash flows from financing activities:			
Proceeds from borrowings by microfinance entities		9,828	11,274
Repayments on borrowings of microfinance entities		(9,885)	(22,095)
Borrowings on line of credit		—	(4,000)
Issuance of long term debt		5,000	—
Repayments on long-term debt		(7,599)	(289)
Net cash used in financing activities		(2,656)	(15,110)
Net increase (decrease) in cash and cash equivalents		7,876	(9,305)
Cash and cash equivalents at beginning of year		163,489	172,794
Cash and cash equivalents at end of year	$	171,365	163,489
Supplemental disclosures:			
Interest paid during the year	$	9,480	9,038
Noncash contributions		2,403	2,721

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended June 30, 2022
(With summarized financial information for the year ended June 30, 2021)

(In thousands)

	Program services						Supporting services			
	Humanitarian assistance – relief	Humanitarian assistance – recovery	Livelihood/ economic development	Civil society and education	Health	Total program services	General and administration	Resource development	Total operating expenses	2021 Total
Personnel	$ 28,121	12,979	67,444	28,751	14,030	151,325	48,143	8,528	207,996	199,000
Professional services	4,649	1,585	10,054	5,419	2,538	24,245	6,973	2,097	33,315	41,721
Travel and vehicle expense	3,475	1,647	5,468	3,382	2,115	16,087	1,424	121	17,632	13,283
Office and occupancy expense	3,380	1,734	8,411	4,129	2,595	20,249	6,347	4,201	30,797	27,822
Other operating expenses	1,261	322	1,088	506	515	3,692	631	3,259	7,582	7,879
Material aid	19	6	27	22	111	185	456	—	641	1,650
Materials and supplies	7,281	2,219	9,675	2,985	2,938	25,098	18	—	25,116	28,262
Construction, non-owned assets	4,251	1,277	3,951	672	2,198	12,349	1	—	12,350	21,688
Training, monitoring, and evaluation	1,045	1,125	7,962	6,153	1,359	17,644	42	—	17,686	13,282
Subgrants	76,222	9,150	57,059	30,676	14,211	187,318	—	—	187,318	190,602
Microfinancing activity	—	—	2,636	—	—	2,636	—	—	2,636	8,675
Depreciation	279	85	2,130	391	206	3,091	981	174	4,246	4,426
	$ 129,983	32,129	175,905	83,086	42,816	463,919	65,016	18,380	547,315	558,290

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

(a) Business and Organization

Mercy Corps, headquartered in Portland, Oregon, is incorporated under the laws of the State of Washington as a nonprofit corporation. Mercy Corps is a global team of humanitarians working together on the front lines of today’s biggest crises to create a future of possibility, where everyone can prosper.

Our mission: to alleviate suffering, poverty, and oppression by helping people build secure, productive, and just communities. In more than 40+ countries around the world, over 5,400+ team members work side by side with people living through poverty, disaster, violent conflict, and the acute impacts of climate change. We’re committed to creating global change through local impact – 84% of our team members are from the countries where they work. We bring a comprehensive approach to every challenge, addressing problems from multiple angles. And we go beyond emergency aid, partnering with local governments, forward-thinking corporations, social entrepreneurs, and people living in fragile communities to develop bold solutions that make lasting change possible.

The consolidated financial statements include the accounts of Mercy Corps Global and its controlled affiliates under common control. Mercy Corps Global, a Washington nonprofit corporation (MCG) and affiliates, are collectively referred to herein as the Organization. All material intercompany transactions and balances have been eliminated. Consolidated affiliates include:

- Kompanion Development Institution
- Kompanion Bank Closed Joint Stock Company (Kompanion)
- Kompanion Invest
- MC Nigeria LTD/GTE (Nigeria)
- Mercy Corps Development Holdings, LLC
- Mercy Corps Europe (MCE)
- Mercy Corps India
- Mercy Corps Corporate Fund (MCCF) (previously Asian Credit Public Fund)
- Mercy Corps International Jordan, LLC (inactive)
- Mercy Corps Netherlands (MCNL)
- Energy 4 Impact (acquired on September 30, 2021)
- Humanitarian Energy PLC
- CIT Services, LLC

Effective September 30, 2021, Mercy Corps Global (MCG) (a/k/a Mercy Corps) and Energy 4 Impact (E4I) signed a transfer agreement whereby MCG assumed sole control of E4I. The financial position and results of operations of E4I have been included in the consolidated financial statements of the organization since that date.

The change in governance structure has been accounted for under ASC 958-805, *Not-for-Profit Entities – Business Combinations*. No consideration was transferred as a result of the change. This transfer was recognized as contribution revenue during the year ended June 30, 2022.

Entities deconsolidated, dissolved, or in dissolution as of June 30, 2022 include:

MC Egypt, LLC (in dissolution June 2016)

Mercy Corps Condominium Unit Owners Association (in dissolution June 2019)

(2) Summary of Significant Accounting Principles

(a) Basis of Accounting

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization’s net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. This balance includes any funds restricted by the board but not subject to donor restrictions.
- Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose or that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are to maintain resources in perpetuity. The Organization does not have any assets which are required to be maintained in perpetuity as of June 30, 2022 or 2021.

(b) Use of Estimates

The preparation of consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates in the Organization’s consolidated financial statements include loan loss reserves. Actual results may differ from those estimates.

(c) Revenue Recognition

Contributions, including unconditional promises to give, are recognized initially at fair value as revenue in the period received at net realizable value. Contribution revenue is reported as an increase in net assets without donor restrictions unless their use is limited by donor-imposed restrictions, in which they will be reported as net assets with donor restrictions.

Funds provided under grant or contract, which may have conditions associated with them, are deemed to be earned and reported as contribution revenue when the Organization has met the related condition in compliance with the specific terms and conditions of the grant or contract. Grant or contract funds received for which the condition has not yet been met are accounted for as deferred revenue. Performance of conditions made in advance of funds received are recorded as grants and accounts receivable.

A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. The conditional contributions are related to funding for the establishment of new programs or continuation of current programs within Mercy Corps' overall mission, subject to the terms of each funding agreement. At June 30, 2022, the Organization had $662,936 of conditional promises to give in the form of measurable performance related or other barriers and right of return that have not been reflected on the accompanying financial statements.

Commodities received are reported at fair value and recognized as revenue as the commodities are distributed for program purposes.

(d) Functional Allocation of Expenses

The Organization allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly. Other expenses that are common to several functions are allocated using various statistical bases such as headcount, hours worked, or as a percentage of total expenses.

(e) Change in Net Assets from Operations

Change in net assets from operations excludes activities that the Organization considers to be outside the scope of its primary business, as defined by its mission statement.

(f) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on reporting dates, and revenue and expenses are translated at rates that approximate the average rate for the period in which the transactions occurred. Net transaction and translation gains and losses are included in the accompanying statement of activities in the nonoperating revenue and losses section as foreign currency exchange gain or loss, with the exception of the foreign currency exchange gain or loss from Kompanion activities.

(g) Income Taxes

The Organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and corresponding sections of the state of Washington provisions as a publicly supported organization, which is not a private foundation.

U.S. GAAP requires the Organizations' management to evaluate tax positions taken by the Organizations and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed tax positions taken by the Organizations and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of liability (or asset) or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no IRS audits for any tax periods in progress.

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less at the date of acquisition, other than held as part of the investment portfolio.

Per donor terms and internal processes, project related cash is held in accounts separate from the primary operating accounts. These types of segregated accounts totaled $80,769 and $81,633 at June 30, 2022 and 2021, respectively.

(i) Investments

The Organization holds various types of investments, including money market accounts, treasury securities, certificates of deposit, and mutual funds. Investments are recorded at fair value. Interest earned on funds is included in interest income. Dividends are included in other revenue. There are no significant concentrations as the investment portfolio is diversified among issuers.

(j) Charitable Gift Annuities

The Organization has certificates of authority from the state of Oregon, the state of Washington, and a few other states to receive transfers of money or property upon agreement to pay an annuity. The annuity liability included in accounts payable and accrued liabilities as of June 30, 2022 and 2021 was $859 and $801, respectively. The Organization maintains segregated accounts for all gift annuities included in investments. The amounts in the accounts were $1,263 and $1,548 as of June 30, 2022 and 2021, respectively.

(k) Fair Value Measurements

The Organization applies Accounting Standard Codification (ASC) Topic 820, *Fair Value Measurement*, which established a framework for measuring fair value. This standard defines fair value as the amount that would be exchanged for an asset or to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard establishes a three-level fair value hierarchy that prioritizes the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted or published prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the whole term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

The Organization used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the consolidated financial statements:

Mutual Funds and Certificates of Deposit – Fair values for these investments are based on quoted market or published prices (Level 1).

Foreign Government Securities – Fair value for these investments may use a variety of inputs including inputs based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g., the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies (Level 2).

Derivative financial instruments – The fair value of a microfinance institution’s derivatives are based on estimates using standard pricing models that take into account the present value of future cash flows as of the date of the statement of financial position. The fair values of the derivative arrangements are based on models that rely on observable market-based data (Level 2).

(l) Grants and Accounts Receivable

The majority of the Organization’s grants and accounts receivable are due from U.S. and European governments, with small balances due from multilateral agencies and private foundations. Grants and accounts receivable are expected to be collected within one year and are recorded at net realizable value.

Pledges receivable and notes receivable that are expected to be collected in future years are recorded at fair value at the date of the contribution, as determined using the net present value of estimated future cash flows. In subsequent periods, the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

(m) Microfinance Loans Receivable

Financial services are an essential element of the Organization’s integrated approach to helping people. In this sector, the Organization has established microfinance institutions (MFIs), structured loan guarantee programs, built capacity in existing MFI programs, and created service organizations to contribute to the development of the overall microfinance industry. Activities from these services are reported as livelihood/economic development program expense in the consolidated statement of activities, and it is the Organization’s intent to reinvest all proceeds generated back into mission-related programs.

The Organization owns or controls 50% or more of the following organization and it is thus consolidated in the accompanying consolidated financial statements.

Kompanion Bank Closed Joint Stock Company, formerly Kompanion Financial Group Micro Credit Closed Joint Stock Company, was established in the Kyrgyz Republic in 2004. On January 11, 2016, the National Bank of the Kyrgyz Republic issued licenses to the bank for the right to conduct banking operations in national currency and in foreign currency. The bank takes deposits from the public, originates loans and transfers money in the territory of the Kyrgyz Republic and abroad, conducts currency exchange transactions, and provides other banking services to legal entities and private individuals. The Organization is the founder and majority shareholder of Kompanion with a 65% ownership interest.

Microfinance loans receivable are recorded in the consolidated statement of financial position at their unpaid principal balances, net of allowance for loan losses. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan. The affiliated organizations review their loans to assess impairment on a regular basis. A loan is considered impaired when, based on current information, it is probable that the institution will not receive all amounts due in accordance with the contractual terms of the underlying loan agreement. When an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan receivable and the present value of the estimated future cash flows, including amounts recoverable from guarantees and collateral discounted at the loan receivable’s original effective interest rate. All loan receivable losses are recognized in the consolidated statement of activities. When a loan is uncollectible, it is written off against the related reserve for loan impairment. Loan balances are written off when management determines that the loans are uncollectible and when all necessary steps to collect the loan are exhausted.

(n) Inventories and Material Aid

The Organization receives agricultural commodities from governments for distribution via Organization programs and for monetization in which proceeds of the commodity sale are to be used to fund Organization programs. Commodities received for distribution are recorded at estimated fair value as inventory and deferred revenue. Revenue is recognized as inventory is distributed and is recorded in the consolidated statement of activities as material aid. Funds received from monetization of commodities are deferred until utilized in program activities and are then recorded in the consolidated statement of activities as material aid.

Material Aid commodities received from the U.S. government that are held for sale are valued at the lesser of the fair value on the contribution date or the expected sales price in the foreign location, if impaired. Material Aid commodities held for distribution and not for sale are valued at estimated fair value.

(Dollars in thousands)

(o) Program-Related Investments

Program-related investments represent the Organization's investments in domestic and overseas organizations that do not meet the standard of control for consolidation under U.S. GAAP. The investments are typically in the form of equity investments funded with grants or the Organization's net assets without donor restrictions. The primary purpose of these investments is the furtherance of the Organization's mission rather than the generation of income. Investments are recorded on either the cost or equity method, depending on the Organization's level of ownership and influence over the entities.

(p) Property and Equipment, Net

Land, buildings, and equipment are stated at acquisition cost or fair value on the date of contribution. Depreciation is computed on a straight-line basis over the shorter of the estimated useful lives of the respective assets or the related lease term. The estimated useful lives by asset class are as follows:

	Years
Buildings	30–39
Leasehold improvements	3–30
Furniture, fixtures, equipment, and software	3–10
Vehicles	3–5

Restrictions associated with gifts for capital projects are released when the associated long-lived asset is placed into service.

(q) Comparative Financial Information

The accompanying consolidated financial statements include certain prior year summarized information. With respect to the consolidated statement of functional expenses, information from the prior year is presented in the aggregate, is not presented by function, and the consolidated statement of activities does not include balances for net assets without donor restrictions and net assets with donor restrictions. Accordingly, such information should be read in conjunction with the Organization's prior year consolidated financial statements from which the summarized information was derived.

(r) New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Credit Losses. The main objective of ASU No. 2016-13 is to replace the incurred loss impairment methodology with a methodology that reflects the current expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), which deferred the effective date of ASU 2016-13 for the Organization to July 1, 2023. In addition, the FASB issued various amendments during 2018 and 2019 to clarify the provisions of ASU No. 2016-13. This guidance will be applied using a modified retrospective method with any cumulative effect adjustment to recorded to opening net assets. The Organization continues to evaluate the impact of adopting this ASU on the consolidated financial position and results of activities, including changes to the current loan loss reserve for microfinance loans receivable, including development its expected credit loss models for microfinance loans receivable.

(Dollars in thousands)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize a lease liability and a right of use asset for all lease obligations with exception for short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the right of use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. The new standard is effective for Mercy Corps on July 1, 2022. The Organization is currently evaluating the extent of the anticipated impact of the adoption of ASU No. 2016-02.

(s) COVID-19

The spread of coronavirus (COVID-19) around the world has caused significant volatility in U.S. and international markets. There is still significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. To date, COVID-19 has had an impact on how the Organization runs programs and accomplishes its mission, but has not had a material impact on its ability to operate.

(3) Fair Value of Financial Instruments and Investments

Fair value measurements for the assets measured at fair value on a recurring basis at June 30, 2022 consisted of the following:

		Level 1	Level 2	Total
Assets:				
Investments:				
Cash & cash equivalents	$	13,877	—	13,877
Certificates of deposit		489	—	489
Mutual funds – equity		667	—	667
Mutual funds – fixed income		895	—	895
Mutual funds – real estate investment trust		61	—	61
U.S. government securities		8,265	—	8,265
Foreign government securities		—	4,317	4,317
Total investments		24,254	4,317	28,571
Derivative financial instruments:				
Foreign currency swap arrangements		—	3	3
Total investments	$	24,254	4,320	28,574

(Dollars in thousands)

Fair value measurements for the assets measured at fair value on a recurring basis at June 30, 2021 consisted of the following:

		Level 1	Level 2	Total
Assets:				
Investments:				
Cash equivalents	$	2,741	—	2,741
Certificates of deposit		753	—	753
Mutual funds – money market		7,440	—	7,440
Mutual funds – equity		890	—	890
Mutual funds – fixed income		579	—	579
Mutual funds – real estate investment trust		80	—	80
Foreign government securities		—	3,580	3,580
Total investments		12,483	3,580	16,063
Derivative financial instruments:				
Foreign currency swap arrangements		—	3	3
Total	$	12,483	3,583	16,066

The Organization had no Level 3 assets or liabilities measured at fair value at June 30, 2022 or 2021.

(4) Microfinance Loans Receivable

Microfinance loans comprise variable and fixed-rate loans with individuals and groups. Group loans are unsecured loans granted to a group of borrowers who sign a loan agreement with joint and several liability to repay a loan. The loans bear interest at rates generally at or below the local market industry average available. Microfinance loans are issued with original maturities ranging from 3 to 60 months.

Microfinance loans receivable were concentrated in the following countries as of June 30, 2022 and 2021:

		2022	2021
Kyrgyzstan	$	131,742	101,415
United States		457	413
Gross loans		132,199	101,828
Less loan loss reserves		(5,575)	(3,883)
Microfinance loans receivable, net	$	126,624	97,945

(Dollars in thousands)

The Organization applies ASC Topic 310, *Receivables*, for financing receivables and the corresponding allowance for losses.

Allowances for estimated losses are established based on prior collection experience and observed trends in the rate of default, as well as a consideration of current economic trends and indicators. Loan balances are written off when they are deemed to be ultimately uncollectible.

Changes in allowance for estimated losses on financing receivables as of June 30, 2022 and 2021 are presented as follows:

		2022	**2021**
Loan loss reserve, beginning	$	(3,883)	(5,228)
Adjustments to reserve		(1,860)	659
Writeoff		371	686
Recovery		(203)	—
Loan loss reserve, ending	$	(5,575)	(3,883)

The reserves noted above can be attributed to loans that are current or past due as follows at June 30, 2022:

		Current	**Past due**	**Total**
Microfinance loans receivable	$	126,469	5,730	132,199
Less loan loss reserves		(1,713)	(3,862)	(5,575)
Microfinance loans receivable, net	$	124,756	1,868	126,624

The reserves noted above can be attributed to loans that are current or past due as follows at June 30, 2021:

		Current	**Past due**	**Total**
Microfinance loans receivable	$	96,791	5,037	101,828
Less loan loss reserves		(1,616)	(2,267)	(3,883)
Microfinance loans receivable, net	$	95,175	2,770	97,945

(Dollars in thousands)

(5) Property and Equipment

		2022	2021
Land	$	2,534	2,534
Buildings and leasehold improvements		38,515	39,994
Vehicles		15,621	14,463
Furniture, fixtures, and equipment		15,165	12,911
		71,835	69,902
Less: accumulated depreciation and amortization		(39,635)	(37,329)
Property and equipment, net	$	32,200	32,573

(6) Program-Related Investments

The Organization’s program-related investments at June 30 are as follows:

		2022	2021
MiCRO – SCC	$	311	230
MEVCF		234	232
MCDH		3,258	2,560
	$	3,803	3,022

MiCRO Insurance Catastrophe Risk Organization SCC (MiCRO – SCC) was formed on March 17, 2011. Its focus is to engage in providing micro-insurance products and services to achieve poverty alleviation in Central America and elsewhere in the Caribbean region by providing insurance protection to the economically disadvantaged in the event of natural disasters. At June 30, 2022 and 2021, Mercy Corps Global owned 18.8% and 18.8% of the shares in MiCRO, respectively. Mercy Corps Global reports the investment in MiCRO-SCC on an equity basis.

In fiscal year 2011, Mercy Corps Global invested in the Middle East Venture Capital Fund, L.P. (MEVCF). The purpose of MEVCF is a venture capital fund focusing primarily on stimulating economic development by making investments in medium-sized businesses in the information and communications technology sectors. At June 30, 2022 and 2021, Mercy Corps Global owned less than 2% of this fund. The investment is recorded on a cost basis.

Mercy Corps Development Holdings, LLC (MCDH) invests in early stage start-up companies that have a social mission and focus that aligns with the Organizations’ mission and programs. On June 30, 2022, MCDH had $2,908 in equity investments and $350 in convertible notes receivable invested in 18 ventures, and on June 30, 2021, had $1,897 in equity investments and $663 in convertible notes receivable invested in 15 ventures working in Southeast Asia, East Africa, and Latin America. These investments are recorded on a cost basis and are evaluated annually for impairment.

(Dollars in thousands)

Mercy Corps Global has other small investments in various entities recorded on a cost basis. These investments allow the Organization to partner with developing social enterprises, consistent with its mission.

(7) Debt

The Organization has debt of $4,928 outstanding from Wells Fargo for the mortgage on the building in Portland.

At June 30, debt consisted of the following:

		2022	2021
US Bank, N.A.	$	—	7,527
Wells Fargo		4,928	—
Total	$	4,928	7,527

Future maturities of debt outstanding on June 30, 2022 are as follows:

2023	$	183
2024		200
2025		200
2026		200
2027		200
Thereafter		3,945
	$	4,928

2022 Line of Credit

Mercy Corps Global has a $10,000 line of credit commitment with Wells Fargo for working capital purposes, which expires on July 1, 2027. No amounts were outstanding as of June 30, 2021, or June 30, 2022. The line of credit contains certain restrictive covenants.

2015 Tax Exempt Bonds

On June 25, 2015, Mercy Corps Global, through Oregon Facilities Authority, issued a tax exempt bond. The proceeds were used to refinance the debt of the headquarters building in Portland, Oregon, which also collateralized the promissory note. The balance due at June 30, 2022 and 2021 is consistent with the debt held by US Bank and is $0 and $7,527, respectively. The bond matured on June 30, 2022.

(Continued)

(Dollars in thousands)

2022 Wells Fargo Term Note

On June 22, 2022, Mercy Corps Global refinanced the 2015 Tax Exempt Bonds with a term note issued by Wells Fargo. The proceeds were used to refinance the debt of the headquarters building in Portland, Oregon, which also collateralized the note. The balance due on June 30, 2022 and 2021 is $4,928 and $0, respectively. The note will mature and is due on July 1, 2027.

(8) Subsidiary and Subordinated Debt for Microfinancing Activities

Microfinancing debt is used to finance the Organization’s microfinance lending activities. Typically, this debt is not collateralized, and principal payments are expected to be made from the flow of cash from collection of the loan receivables. The Organization does not guarantee the repayment on the Kompanion Bank debt. Payment terms on these loans vary.

Microfinancing debt maturities as of June 30, 2022 were as follows:

Year ended		Kompanion	MCG	Total
2023	$	4,622	106	4,728
2024		7,727	56	7,783
2025		6,704	56	6,760
2026		—	56	56
2027		—	56	56
Thereafter		2,178	222	2,400
Total	$	21,231	552	21,783

Interest rates of subsidiary microfinancing borrowings at June 30, 2022 are as follows:

Subsidiary	Lender	Interest rates	Due date		Balance
Mercy Corps Global	SBA	0.750% – 0.875%	2023	$	551
Kompanion	EBRD	10.44% – 13.06%	2022-2025		7,602
Kompanion	FMO	14.28%	2023		2,396
Kompanion	Global Impact	6.0%	2023		2,000
Kompanion	MinFln	8.0%	2033		1,279
Kompanion	Triodos	14.0%	2024		2,673
Kompanion	Russian-Kyrgyz Development Fund	6.0% – 8.0%	2022-2023		118
Kompanion	State Mortage Co	4.0% – 6.0%	2032		899
Kompanion	Symbiotics	10.45% – 11.45%	2023-2024		4,265
				$	21,783

(Dollars in thousands)

(9) Liquidity and Availability

The Organization monitors liquidity at the Mercy Corps Global level of reporting as affiliated entities are managed independently of Mercy Corps Global. The Organization regularly monitors liquidity required to meet its operating needs, liabilities, and other financial commitments.

In addition to the assets shown in the following table, as of June 30, 2022 the Organization had access to an additional $10,000 undrawn line of credit described in footnote 7. Financial assets available to meet general expenditures over the next 12 months are shown in the below table:

Financial assets at June 30, 2022		Mercy Corps Global	Affiliated entities	Mercy Corps and Affiliates
Cash and cash equivalents	$	91,327	80,038	171,365
Investments		24,258	4,317	28,575
Grants and accounts receivable		45,406	37,056	82,462
Microfinance loans recevable		328	126,296	126,624
Program-related investments		19,113	(15,310)	3,803
Total		180,432	232,397	412,829
Less financial assets limited to use:				
Donor cash received to be used for programs (Defereed Revenue)		54,570	36,207	90,777
Split interest agreements		1,263	—	1,263
Microfinance loans receivable		328	126,296	126,624
Program-related investments		19,113	(15,310)	3,803
Total financial assets limited to use		75,274	147,193	222,467
Financial assets available for general and administrative expenditure	$	105,158	85,204	190,362

The Organization has certain board-designated assets which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the information above.

(Dollars in thousands)

(10) Obligations under Operating Leases

The Organization leases office space, housing, and equipment under operating leases with terms in excess of one year that require payments through 2036. The leases may contain annual escalation clauses at fixed percentages or based on the consumer price index. At June 30, 2022, the Organization's aggregate minimum annual operating lease commitments are as follows:

Due:		
2023	$	3,037
2024		1,783
2025		1,297
2026		1,124
2027		1,107
Thereafter		4,815
Total	$	13,163

Total rent expense was $5,265 and $4,356 for the fiscal years ended June 30, 2022 and 2021, respectively.

(11) Commitments and Contingencies

The Organization receives a substantial portion of its funding in the form of grants from government and multilateral agencies. These grants contain certain compliance and internal control requirements that, if violated, may result in the disallowance of certain costs incurred under the grant programs. Additionally, the Organization is involved in various legal proceedings and claims arising in the normal course of business. The Organization adjusts the contingent liabilities each year based on settlement of accrued amounts and potential liabilities that are reasonably likely and estimable. At June 30, 2022 and 2021, the Organization had total accrued contingent liabilities of $2,039 and $3,083, respectively, which are included in accounts payable and accrued liabilities on the statement of financial position.

While it is not possible to determine the ultimate liability, if any, in these matters at this time, in the opinion of management, such matters will not have a material adverse effect on the financial condition of the Organization in excess of the recorded contingent liability.

(12) Employee Benefit Plans

Mercy Corps Global has a defined-contribution plan under Internal Revenue Code Section 403(b) for employees who meet the eligibility conditions. Employees are eligible to make voluntary pretax contributions beginning the first day of the month following their employment date. Employees are eligible to receive employer contributions equal to 6% of gross salary after one year of service. Management made the decision to suspend employer contributions to the retirement plan in April 2020 following the COVID-19 pandemic. The contributions were reinstated at January 1, 2021. The Organization's contributions to the plan for the years ended June 30, 2022 and 2021 amounted to $1,938 and $982, respectively.

Mercy Corps Global also has a nonqualified employee benefit plan for certain third-country nationals who are otherwise ineligible for the defined-contribution plan under Internal Revenue Code Section 403(b). These employees are eligible to receive employer contributions equal to 6% of gross salary after one year of service. The Organization records expenses for the program on a monthly basis and makes a lump sum payment to team members upon end of service. The total expense for the program for the years ended June 30, 2022 and 2021 amounted to $784 and $361, respectively. At June 30, 2022 and 2021, the Organization had total amounts to be paid out for this plan of $2,531 and $2,223, respectively.

Mercy Corps Europe contributes to defined-contribution pension plans on behalf of employees. The employer contribution to these plans was also suspended starting July 1, 2020 and reinstated January 1, 2021. The assets of the plans are held separately from those of the company. Contributions are charged to the income and expenditure account and the statement of activities in the period in which they are incurred. Total defined-contribution retirement plan costs charged to operations were $206 and $205 for the years ended June 30, 2022 and 2021, respectively, which are included in general and administrative expenses in the accompanying consolidated statement of activities and changes in net assets without donor restriction.

Within the various countries in which the Organization operates outside the United States and the United Kingdom, most employees are citizens of the host country. These employees are not eligible for the Organization’s defined-contribution plan or for the employee benefit plan for third-country nationals; however, they may be eligible for certain local government sponsored plans appropriate for that country.

(13) Significant Sources of Revenue and Concentration of Risk

(a) Significant Sources of Revenue

The Organization receives a majority of its funding through grants from government agencies. A reduction in the amount of grants available or in the Organization’s ability to receive government grants would have a material impact on its programs and operations.

(b) Concentration of Risk

For cash held in the United States, the Organization maintains its cash in commercial banks that are in excess of the Federal Deposit Insurance Company (FDIC) limits. Management believes the risk associated with balances in excess of FDIC limits is minimal.

For cash held in the United Kingdom, the Organization maintains cash in commercial banks that are in excess of U.K. deposit insurance limits. Management believes the risk associated with the balance in excess of the deposit insurance limits is minimal.

In order to fulfill grant agreements and maintain ongoing operations in foreign countries, the Organization maintains cash balances in both regional and local currencies. The Organization had cash deposits of 21.2% and 18.3% of the total cash balance in the Organization’s foreign locations, as of June 30, 2022 and 2021, respectively. Of the cash held in foreign locations, 51.7% and 45.9% was held by the Organization’s subsidiary entities involved in microfinance activities, as of June 30, 2022 and 2021, respectively.

(14) Subsidiary Entities

The Organization is required to consolidate certain entities under the guidance of FASB ASC Topic 810, *Consolidation* and ASC Topic 958-820, *Not for Profit Entities – Consolidation*. However, Mercy Corps Global has limitations on the use of the assets and is not obligated for the liabilities of these consolidated subsidiaries under the laws in place in the foreign jurisdiction of each of these subsidiaries and under the terms of the entities' bylaws.

The Organization continues to establish new entities to invest in new technology, business models, and social enterprises to provide transformational opportunities to alleviate suffering, poverty, and oppression. The following entities are yet to have significant activities but are controlled by Mercy Corps and have therefore been consolidated as of June 30, 2022:

Mercy Corps India was formed in August 2010 as joint-stock company to carry out operations in India.

Mercy Corps Egypt, LLC was formed in 2012 to establish a field office and operations in Egypt. This entity began dissolution in 2016.

Kompanion Development was formed in 2008 to assist with development in Kyrgyzstan.

Mercy Corps Development Holdings, LLC was formed in 2015 as a for profit holding entity and invests in early stage start-up companies that have a social mission and focus that aligns with Mercy Corps' mission and programs.

Mercy Corps International Jordan, LLC was formed as a not for profit entity in 2007 to carry out operations in Jordan. This entity is inactive as of June 30, 2021, and 2022.

Energy 4 Impact, a UK entity, with operations in Africa, was acquired by Mercy Corps Global as of September 30, 2021, and will be dissolved with remaining operations to be incorporated into Mercy Corps Global and Mercy Corps Europe during fiscal year 2023.

Humanitarian Energy PLC was established as a new entity in Ethiopia during fiscal year 2022. Mercy Corps Global holds 80% of the shares.

CIT Services, LLC was formed in 2017 to provide management and back-office support to the East Portland CIT Corporation (EPCIT).

The total combined net assets of the 8 entities listed above are $5,733 and $2,857 as of June 30, 2022 and 2021, respectively.

(Dollars in thousands)

(15) In-kind Gifts

The Organization received the following contributions of nonfinancial assets for the year ending June 30, 2022:

		2022	2021
Equipment	$	302	264
Software		149	29
Training		840	—
Lodging		—	18
Legal consulting		897	996
Other services		30	28
Total	$	2,218	1,335

(a) Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded as Gift in Kind revenue at their estimated fair value with a corresponding increase to prepaid expenses which are expensed as they are utilized. The Organization received equipment, software, training licenses, and lodging valued at $1,291 and $311 in the fiscal years ended June 30, 2022, and June 30, 2021, respectively.

(b) Contributed Services

Contributed services are recognized as Gift in Kind revenue at their estimated fair value if they create or enhance nonfinancial assets or if they required specialized skills that would need to be purchased if they were not donated. The Organization received pro bono legal services and other services valued at $927 and $1,024 in the fiscal years ended June 30, 2022, and June 30, 2021, respectively.

(16) Subsequent Events

The Organization has performed an evaluation of subsequent events through November 4, 2022, which is the date the consolidated financial statements were available to be issued.

The following schedules I and II are a presentation of the financial position and activities and changes in net assets for Mercy Corps Global on an unconsolidated basis. These amounts are included as part of the consolidated financial statements of Mercy Corps and affiliates for the fiscal year ended June 30, 2022 and 2021.

Schedule I

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Schedule of Financial Position

Year ended June 30, 2022
(With comparative financial information as of June 30, 2021)

(In thousands)

Assets		2022	2021
Cash and cash equivalents	$	91,327	86,246
Investments		24,258	12,482
Grants and accounts receivable		45,406	32,020
Microfinancing loans receivable, net		328	291
Due from unconsolidated affiliates, net		14,198	19,510
Inventories and material aid		451	207
Prepaid expenses, deposits, and other assets		7,019	6,732
Program-related investments		19,113	17,383
Property and equipment, net		26,339	26,957
Total assets	$	228,439	201,828
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	51,844	61,261
Deferred revenue		54,570	46,123
Debt for microfinancing activities		551	116
Long-term debt		4,927	7,527
Total liabilities		111,892	115,027
Net assets:			
Without donor restrictions		92,389	77,361
With donor restrictions		24,158	9,440
Total net assets		116,547	86,801
Total liabilities and net assets	$	228,439	201,828

See accompanying independent auditors' report.

Schedule II

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Schedule of Activities

Year ended June 30, 2022
(With comparative financial information for the year ended June 30, 2021)

	2022			2021
	Without donor restrictions	**With donor restrictions**	**Total**	**Total**
Operating support and revenue:				
Public support and revenue:				
Government grants	$ 287,573	—	287,573	226,746
Material aid	185	—	185	1,386
Total public support and revenue	287,758	—	287,758	228,132
Other support and multilateral revenue:				
Other grants	65,049	—	65,049	75,904
Contributions	36,894	27,027	63,921	36,888
Gifts in kind	2,218	—	2,218	1,335
Bequests	2,503	—	2,503	3,948
Total other support and multilateral revenue	106,664	27,027	133,691	118,075
Other revenue:				
Interest income	94	—	94	69
Other revenue	2,444	80	2,524	3,967
Total other revenue	2,538	80	2,618	4,036
Net assets released from restriction	12,388	(12,388)	—	—
Total operating support and revenue	409,348	14,719	424,067	350,243
Operating expenses:				
Program services:				
Humanitarian assistance – relief	107,520	—	107,520	100,557
Humanitarian assistance – recovery	32,128	—	32,128	26,377
Livelihood/economic development	109,732	—	109,732	85,074
Civil society and education	42,529	—	42,529	34,036
Health	26,892	—	26,892	36,522
Total program services	318,801	—	318,801	282,566
Supporting services:				
General and administrative	58,885	—	58,885	50,754
Resource development	16,591	—	16,591	17,033
Total supporting services	75,476	—	75,476	67,787
Total operating expenses	394,277	—	394,277	350,353
Change in net assets from operations	15,071	14,719	29,790	(110)
Nonoperating revenue (expenses), net:				
Foreign currency exchange loss, net	(18)	(1)	(19)	(512)
Realized and unrealized (loss) gain investments, net	(25)	—	(25)	395
Gain on extinguishment of debt	—	—	—	7,612
Total nonoperating (expenses) revenue, net	(43)	(1)	(44)	7,495
Change in net assets	15,028	14,718	29,746	7,385
Net assets at beginning of year	77,361	9,440	86,801	79,416
Net assets at end of year	$ 92,389	24,158	116,547	86,801

See accompanying independent auditors' report.