MERCY CORPS AND AFFILIATES

Consolidated Financial Statements
and Supplemental Schedules

June 30, 2023
(With comparative financial information as of and for the year ended
June 30, 2022)

(With Report of Independent Certified Public Accountants)

MERCY CORPS AND AFFILIATES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2023, 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

The summarized consolidated financial statements of Mercy Corps and Affiliates as of June 30, 2022, and for the year then ended were audited by other auditors. These auditors expressed an unmodified opinion on those financial statements in their report dated November 4, 2022.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 the Organization's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the 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 auditor's 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 US 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 US 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 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.

Supplementary information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules of Mercy Corps Global Schedule of Financial Position and Mercy Corps Global Schedule of Activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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

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statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2022 summarized comparative information

As stated in the other matter section, other auditors previously audited the Organization's 2022 consolidated financial statements (not presented herein), and they expressed an unmodified audit opinion on those audited consolidated financial statements in their report dated November 4, 2022. The accompanying summarized comparative information as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

San Francisco, California
January 24, 2024

MERCY CORPS AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2023
(With comparative financial information as of June 30, 2022)

(In thousands)

Assets		2023		2022
Cash and cash equivalents	$	215,699	$	171,365
Investments		12,649		28,575
Financial instruments and derivatives, net		223		-
Grants and accounts receivable		103,587		82,462
Microfinance loans receivable, net		147,857		126,624
Inventories and material aid		44		811
Prepaid expenses, deposits, and other assets		12,171		12,050
Program-related investments		5,472		3,803
Property and equipment, net		31,883		32,200
Right-of-use assets		14,204		-
Total assets	$	543,789	$	457,890
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	$	94,827	$	70,265
Deferred revenue		115,398		90,777
Customer deposits for microfinance activities		123,455		93,031
Debt for microfinancing activities		12,852		21,783
Lease liabilities		11,641		-
Long-term debt		4,779		4,928
Total liabilities		362,952		280,784
Net assets:				
Without donor restrictions:				
Controlling interests		138,872		125,444
Noncontrolling interests		16,035		16,666
Total without donor restrictions		154,907		142,110
With donor restrictions		25,930		34,996
Total net assets		180,837		177,106
Total liabilities and net assets	$	543,789	$	457,890

The accompanying notes are an integral part of these consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

(In thousands)

	2023 Without donor restrictions	2023 With donor restrictions	2023 Total	2022 Total
Operating support and revenue:				
Public support and revenue:				
Government grants	$ 493,438	$ -	$ 493,438	$ 393,955
Material aid	1,184	-	1,184	185
Total public support and revenue	494,622	-	494,622	394,140
Other support and multilateral revenue:				
Other grants	105,121	25	105,146	92,342
Contributions	30,330	13,593	43,923	70,327
Gifts in kind	1,894	-	1,894	2,218
Bequests	2,434	-	2,434	2,503
Total other support and multilateral revenue	139,779	13,618	153,397	167,390
Other revenue:				
Interest income	38,270	-	38,270	28,147
Other revenue	653	(325)	328	3,997
Total other revenue	38,923	(325)	38,598	32,144
Net assets released from donor restrictions	22,360	(22,360)	-	-
Total operating support and revenue	695,684	(9,067)	686,617	593,674
Operating expenses:				
Program services:				
Humanitarian assistance – relief	203,707	-	203,707	129,983
Humanitarian assistance – recovery	42,340	-	42,340	32,129
Livelihood/economic development	197,702	-	197,702	175,905
Civil society and education	94,679	-	94,679	83,086
Health	45,567	-	45,567	42,816
Total program services	583,995	-	583,995	463,919
Supporting services:				
General and administrative	78,089	-	78,089	65,016
Resource development	18,489	-	18,489	18,380
Total supporting services	96,578	-	96,578	83,396
Total operating expenses	680,573	-	680,573	547,315
Change in net assets from operations	15,111	(9,067)	6,044	46,359
Nonoperating gains and losses net:				
Foreign currency exchange gain (loss), net	(2,026)	1	(2,025)	(1,793)
Realized and unrealized gain (loss) on investments, net	1,363	-	1,363	(635)
Gain (loss) on swap agreements	223	-	223	-
Total nonoperating gains and losses, net	(440)	1	(439)	(2,428)
Change in net assets before other interests	14,671	(9,066)	5,605	43,931
Contributions from acquisitions	1,114	-	1,114	2,429
Affiliate capital activity	(2,988)	-	(2,988)	-
Change in net assets	12,797	(9,066)	3,731	46,360
Net assets at beginning of year	142,110	34,996	177,106	130,746
Net assets at end of year	$ 154,907	$ 25,930	$ 180,837	$ 177,106

The accompanying notes are an integral part of these consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended June 30, 2023
(With comparative financial information for the year ended June 30, 2022)

(In thousands)

		2023		2022
Cash flows from operating activities:				
Change in net assets	$	3,731	$	46,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		5,019		4,246
Provision for loan losses		18		593
Net realized and unrealized loss (gain) on investments		(1,363)		635
Unrealized loss on foreign exchange arrangements and financial instruments		2,025		1,793
Effects of currency translation on cash and cash equivalents		10,842		(4,006)
Non-cash contribution from acquisitions		(1,114)		(2,429)
Changes in assets and liabilities:				
Grants and accounts receivable		(19,972)		(17,609)
Inventories		767		(224)
Prepaid expenses, deposits, and other assets		(99)		462
Right-of-use assets		(14,209)		-
Customer deposits for microfinance activities		21,439		18,459
Accounts payable and accrued liabilities		24,308		(9,605)
Deferred revenue		23,446		11,632
Lease liabilities		11,646		-
Net cash provided by (used in) operating activities		66,484		50,307
Cash flows from investing activities:				
Cash acquired from acquisitions		1,505		1,480
Acquisition of investments and derivatives		(3,600)		(30,846)
Proceeds from sale of investments and derivatives		11,926		16,921
Proceeds from program-related investments		7,071		-
Issuances of microfinance loans		(156,381)		(121,779)
Repayments on microfinance loans		122,468		98,346
Acquisition of property and equipment		(6,061)		(4,149)
Proceeds from sale of property and equipment		1,374		252
Net cash provided by (used in) investing activities		(21,698)		(39,775)
Cash flows from financing activities:				
Proceeds from borrowings by microfinance entities		10,692		9,828
Repayments on borrowings of microfinance entities		(10,996)		(9,885)
Issuance of long-term debt		-		5,000
Repayments on long-term debt		(148)		(7,599)
Net cash provided by (used in) financing activities		(452)		(2,656)
Net increase (decrease) in cash and cash equivalents		44,334		7,876
Cash and cash equivalents at beginning of year		171,365		163,489
Cash and cash equivalents at end of year	$	215,699	$	171,365
Supplemental disclosures:				
Interest paid during the year	$	13,058	$	9,480
Noncash contributions		3,078		2,403

The accompanying notes are an integral part of these consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended June 30, 2023
(With summarized financial information for the year ended June 30, 2022)

(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	2023 Total operating expenses	2022 Total
Personnel	$ 32,152	$ 15,367	$ 70,894	$ 32,729	$ 14,173	$ 165,315	$ 57,747	$ 9,084	$ 232,146	$ 207,996
Professional services	6,588	1,930	13,095	5,981	2,217	29,811	6,819	1,945	38,575	33,315
Travel and vehicle expense	4,362	2,177	7,420	4,622	2,557	21,138	4,157	452	25,747	17,632
Office and occupancy expense	4,871	2,080	9,945	4,283	1,955	23,134	6,999	4,082	34,215	30,797
Other operating expenses	1,035	501	1,331	563	336	3,766	680	2,762	7,208	7,582
Material aid	-	-	556	-	628	1,184	657	-	1,841	641
Materials and supplies	7,755	2,886	9,305	3,377	1,988	25,311	153	-	25,464	25,116
Construction, non-owned assets	2,864	1,728	3,254	608	1,370	9,824	-	-	9,824	12,350
Training, monitoring, and evaluation	1,836	1,471	9,706	8,161	1,507	22,681	17	-	22,698	17,686
Subgrants	141,878	14,083	62,419	33,851	18,572	270,803	1	-	270,804	187,318
Microfinancing activity	-	-	7,032	-	-	7,032	-	-	7,032	2,636
Depreciation and amortization	366	117	2,745	504	264	3,996	859	164	5,019	4,246
	$ 203,707	$ 42,340	$ 197,702	$ 94,679	$ 45,567	$ 583,995	$ 78,089	$ 18,489	$ 680,573	$ 547,315

The accompanying notes are an integral part of these 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) (a/k/a Mercy Corps), and its affiliates are collectively referred to herein as the Organization. All material intercompany transactions and balances have been eliminated. Consolidated affiliates include:

Kompanion Bank Closed Joint Stock Company (Kompanion)
Kompanion Invest
Kompanion Development Institution (in dissolution as of June 2023)
MC Nigeria LTD/GTE (Nigeria)
Mercy Corps Kenya (Kenya)
Mercy Corps Development Holdings, LLC (MCDH)
Mercy Corps Europe (MCE)
Mercy Corps Corporate Fund (MCCF) (previously Asian Credit Public Fund)
Mercy Corps International Jordan, LLC (inactive)
Mercy Corps Netherlands (MCNL)
Mercy Corps India (in dissolution as of June 2023)
Energy 4 Impact (acquired on September 30, 2021)
Humanitarian Energy PLC
CIT Services, LLC
Yayasan Mercy Corps Indonesia (YMCI) (acquired July 1, 2022)
MiCRO Insurance Catastrophe Risk Organization SCC (MiCRO-SCC) (acquired by January 1, 2023)

Effective September 30, 2021, 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.

Effective July 1, 2022, Mercy Corps gained effective control of Yayasan Mercy Corps Indonesia due to the restructuring of their governing board.

Effective January 1, 2023, Mercy Corps Global (MCG) (a/k/a Mercy Corps) gained effective control of MiCRO Insurance Catastrophe Risk Organization SCC as a result of a redistribution of their voting shares.

These changes in governance structures have been accounted for under Accounting Standard Codification (ASC) 958-805, *Not-for-profit Entities – Business Combinations*. No consideration was transferred as a result of the changes. The related net asset transfers were recognized as contribution revenue during the years ended June 30, 2023, and 2022.

(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 and may be expended for any purpose in performing the primary objectives of the Organization.

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.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization has no assets that must be maintained in perpetuity as of June 30, 2023, or 2022.

(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 the 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 grants or contracts, which may have associated conditions, 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 1) a barrier that must be overcome for the recipient to be entitled to the assets transferred and 2) 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. On June 30, 2023, the Organization had $554,333 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 consolidated 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 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 consolidated statement of activities in the nonoperating revenue and losses section as foreign currency exchange gains or losses.

(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, 2023, 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.

Project-related cash is held separately from the primary operating accounts per donor terms and internal processes. These segregated accounts totaled $97 and $81 on June 30, 2023, and 2022, 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, 2023, and 2022 was $807 and $859, respectively. The Organization maintains segregated accounts for all gift annuities included in investments. The amounts in the accounts were $1,256 and $1,263 as of June 30, 2023, and 2022, respectively.

(k) Fair Value Measurements

The Organization applies 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 consolidated 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.

(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 the 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.

(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) Customer Deposits for Microfinancing Activities

Customer deposits for microfinancing activities include liabilities related to term deposits and demand deposits held by Kompanion Bank.

(r) 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.

(s) Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the consolidated statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

(t) New Accounting Pronouncements

In February 2016, the FASB issued 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 the exception of 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 was effective for Mercy Corps on July 1, 2022. The adoption did not result in a significant effect on amounts reported in the consolidated statement of activities for the year ended June 30, 2023.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958)—Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The main objective of ASU No. 2020-07 is to increase transparency of contributed nonfinancial assets for not-for-profit entities. As a result of this pronouncement, the guidance detailed in ASU No. 2020-07 was applied as of June 30, 2022, retrospectively to the presentation of contributed nonfinancial assets on the consolidated statement of activities and in the notes to the consolidated financial statements.

(3) 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 the 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, 2023, the Organization had access to an additional $10,000 undrawn line of credit described in footnote 11. Financial assets available to meet general expenditures over the next 12 months are shown in the table below:

(Dollars in thousands)

Financial Assets at June 30, 2023		Mercy Corps Global	Affiliated Entities	Mercy Corps and Affiliates
Cash and cash equivalents	$	130,264	85,435	215,699
Investments		11,145	1,504	12,649
Financial instruments and derivatives, net		223	-	223
Grants and accounts receivable		57,866	45,721	103,587
Microfinance Loans Receivable		236	147,621	147,857
Program-related investments		18,135	(12,663)	5,472
Total		217,869	267,618	485,487
Less financial assets limited to use:				
Donor cash received to be used for programs		77,550	37,848	115,398
Split interest agreements		1,256	-	1,256
Financial instruments and derivatives, net		223	-	223
Microfinance loans receivable		236	147,621	147,857
Program-related investments		18,135	(12,663)	5,472
Total financial assets limited to use		97,400	172,806	270,206
Financial assets available for general and administrative expenditure	$	120,469	94,812	215,281

(4) Receivables

(a) Grants and Accounts Receivable

The Organization’s grants and accounts receivable as of June 30 are as follows:

		2023	2022
Grant funds receivable	$	85,977	69,606
Due from banks and other financial institutions		9,878	9,152
Value added tax (VAT) receivable		327	442
Notes receivable		244	244
Due from officers and employees		698	476
Due from affiliates		(319)	(819)
Other receivables		6,782	3,361
Total grants and accounts receivable	$	103,587	82,462

(Dollars in thousands)

(b) 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:

		2023	2022
Kyrgyzstan	$	153,004	131,742
United States		295	457
Gross loans		153,299	132,199
Less loan loss reserves		(5,442)	(5,575)
Microfinance loans receivable, net	$	147,857	126,624

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, 2023, and 2022 are presented as follows:

		2023	2022
Loan loss reserve, beginning	$	(5,575)	(3,883)
Adjustments to reserve		(287)	(1,860)
Writeoff		605	371
Recovery		(185)	(203)
Loan loss reserve, ending	$	(5,442)	(5,575)

(Dollars in thousands)

The reserves noted above can be attributed to loans that are current or past due as follows on June 30, 2023:

		Current	Past due	Total
Microfinance loans receivable	$	147,569	5,730	153,299
Less loan loss reserves		(1,775)	(3,667)	(5,442)
Microfinance loans receivable, net	$	145,794	2,063	147,857

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

(5) Fair Value of Financial Instruments and Investments

Fair value measurements for the assets measured at fair value on a recurring basis on June 30, 2023, consisted of the following:

		Level 1	Level 2	Total
Assets:				
Investments:				
Cash & Cash Equivalents	$	1,507	-	1,507
Certificates of Deposit		492	-	492
Mutual Funds – Equity		714	-	714
Mutual Funds – Fixed income		469	-	469
Mutual Funds – Real estate investment trust		59	-	59
US Government Securities		7,904	-	7,904
Foreign Government Securities		-	1,504	1,504
Total investments		11,145	1,504	12,649
Derivative financial instruments:				
Interest rate swap arrangements		-	223	223
Total investments and financial instruments	$	11,145	1,727	12,872

(Dollars in thousands)

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

		Level 1	Level 2	Total
Assets:				
Investments:				
Cash and cash equivalents	$	13,878	-	13,878
Certificates of deposits		489	-	489
Mutual funds - equity		667	-	667
Mutual funds - fixed income		895	-	895
Mutual funds - real estate investment trust		61	-	61
US government securities		8,265	-	8,265
Foreign government securities		-	4,317	4,317
Total investments		24,255	4,317	28,572
Derivative financial instruments:				
Foreign currency swap arrangements		-	3	3
Total investments and financial instruments	$	24,255	4,320	28,575

The Organization had no Level 3 assets or liabilities measured at fair value on June 30, 2023 or 2022.

(6) Program-Related Investments

The Organization's program-related investments on June 30 are as follows:

		2023	2022
MiCRO Insurance Catastrophe Risk Organization SCC (MiCRO – SCC)	$	-	311
Middle East Venture Capital Fund, L.P. (MEVCF)		234	234
Mercy Corps Development Holdings, LLC (MCDH)		4,682	3,258
Other unconsolidated program-related investments		556	-
Total program-related investments	$	5,472	3,803

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. As of June 30, 2023, and 2022, Mercy Corps Global owned 83.7% and 18.8% of the shares in MiCRO-SCC, respectively. Mercy Corps Global reported the investment in MiCRO-SCC on an equity basis until December 31, 2022. The activities of MiCRO-SCC are now consolidated in accordance with the change in controlling interest.

(Dollars in thousands)

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. As of June 30, 2023 and 2022, 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. As of June 30, 2023, MCDH had $4,172 in equity investments and $510 in convertible notes receivable invested in 20 ventures, and on June 30, 2022, had $2,908 in equity investments and $350 in convertible notes receivable invested in 18 ventures working in Southeast Asia, East Africa, and Latin America. These investments are recorded on a cost basis and are evaluated annually for impairment.

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) Property and Equipment

The Organization's property and equipment on June 30 were as follows:

		2023	2022
Land	$	2,534	2,534
Buildings and leasehold improvements		38,902	40,012
Vehicles		17,518	15,621
Furniture, fixtures, and equipment		16,013	15,165
		74,967	73,332
Less accumulated depreciation and amortization		(43,084)	(41,132)
Property and equipment, net	$	31,883	32,200

(8) Customer Deposits for Microfinance Activities

The Organization held customer deposits which consisted of the following on June 30:

		2023	2022
Term deposits	$	81,036	63,795
Demand deposits		41,579	28,734
Accrued interest		826	484
Prepayment for bank guarantees		14	18
Total customer deposits	$	123,455	93,031

(Dollars in thousands)

(9) 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 the collection of the loan receivables. Mercy Corps does not guarantee the repayment of the Kompanion Bank debt. Payment terms on these loans vary.

Microfinancing debt maturities as of June 30, 2023, were as follows:

Year ended		Kompanion	Mercy Corps Global	Total
2024	$	3,775	56	3,831
2025		5,985	56	6,041
2026		938	56	994
2027		82	56	138
2028		119	56	175
Thereafter		1,467	206	1,673
	$	12,366	486	12,852

Interest rates of microfinancing borrowings as of June 30, 2023, are as follows:

Entity	Lender	Interest rates	Due Date		Balance
Mercy Corps	SBA	0.750%	2032	$	486
Kompanion	EBRD	11.10%-17.55%	2023-2025		4,261
Kompanion	FMO	14.28%	2023		759
Kompanion	MinFIn	8.0%	2033		1,057
Kompanion	Triodos	14.0%	2024		2,509
Kompanion	Russian-Kyrgyz Development Fund	6.000%	2024		5
Kompanion	State Mortgage Co	4.0%-6.0%	2032		514
Kompanion	Symbiotics	10.45%-11.40%	2023-2024		3,261
				$	12,852

(10) Obligations under Operating Leases

As of June 30, 2023, the Organization maintained lease agreements for office space, residential units, warehouses, and equipment.

(a) ASC Topic 842 Adoption

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in ASU 2016-02 Leases. The Organization has elected the transition method whereby the transition is recognized retrospectively at the beginning of the adoption period through a cumulative effect adjustment. Additionally, the Organization has elected the package of practical expedients permitted in Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance without reassessing (a) whether the contracts contain leases under Topic 842, (b) whether classification of the operating leases would be different in accordance with Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, (a) a lease liability of $12,555, which represents the present value of the remaining lease payments of $14,149, discounted using the Organization's weighted average discount rate and (b) a right-of-use asset of $15,842, which represents the lease liability of $12,555 adjusted for net prepaid rent of $3,287.

(Dollars in thousands)

(b) Future Minimum Lease Payments

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023:

Year ended		Operating
2024	$	2,787
2025		1,614
2026		1,507
2027		1,448
2028		1,475
Thereafter		4,011
	$	12,842
Less effects of discounting		(1,201)
Total lease Liability	$	11,641

(c) Lease Cost

		2023
Operating Lease Cost (Cost resulting from lease payments)	$	6,867
Short-term Lease Cost		1,855
Total Lease Cost	$	8,722

(d) Other Information

		2023
Operating Lease - Operating Cash Flows (Fixed Payments)	$	3,593
Operating Lease - Operating Cash Flows (Liability Reduction)	$	2,767
New ROU Assets - Operating Leases	$	15,842
Weighted Average Lease Term - Operating Leases		7.28 yrs.
Weighted Average Discount Rate - Operating Leases		3.36%

(Dollars in thousands)

(11) Debt

The Organization has debt of $4,817 outstanding from Wells Fargo for the mortgage on the building in Portland. Under this debt, Wells Fargo has the security interest of first priority in all of the Organization's accounts receivable and other rights to payment, general intangible, inventory and equipment.

On June 30, debt consisted of the following:

		2023	2022
Wells Fargo	$	4,817	4,975
Unamortized Loan Fees		(38)	(47)
Total Debt	$	4,779	4,928

Future maturities of debt outstanding on June 30, 2023 are as follows:

Year ended		Total payments
2024	$	200
2025		200
2026		200
2027		200
2028		4,017
Threafter		-
	$	4,817

(a) 2023 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, 2023, or June 30, 2022. The line of credit contains certain restrictive covenants that the Organization was in compliance with as of June 30, 2023.

(b) 2022 Wells Fargo Term Note

On June 22, 2022, Mercy Corps Global refinanced the 2015 Tax Exempt Bonds with a $5,000 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, including unamortized loan fees on June 30, 2023, and 2022, is $4,779 and $4,928, respectively. Principal payments of $17 are due monthly until maturity on July 1, 2027.

At the inception of borrowing, the Organization hedged its interest rate risk by entering into an interest rate swap agreement with Wells Fargo. The swap agreement provides that, each month, the Organization will pay to Wells Fargo interest on the notional amount at a fixed rate of 2.85%, and Wells Fargo will pay to the

Organization interest on the notional amount at a rate equal to the USD SOFR 30-day average rate. On June 30, 2022, and 2023, the fair market value of the swap agreement was $0 and $223 (an asset).

(12) 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 the settlement of accrued amounts and potential liabilities that are reasonably likely and estimable. As of June 30, 2023, and 2022, the Organization had total accrued contingent liabilities of $2,007 and $2,039, respectively, which are included in accounts payable and accrued liabilities on the consolidated 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.

(13) 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. The Organization’s contributions to the plan for the years ended June 30, 2023, and 2022 amounted to $2,085 and $1,938, 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 expenses for the program for the years ended June 30, 2023, and 2022 amounted to $843 and $784, respectively. As of June 30, 2023, and 2022, the Organization had total amounts to be paid out for this plan of $2,859 and $2,531, respectively.

Mercy Corps Europe contributes to defined-contribution pension plans on behalf of employees. The assets of the plans are held separately from those of the Organization. Contributions are charged to the income and expenditure account and the consolidated statement of activities in the period they are incurred. Total defined-contribution retirement plan costs charged to operations were $305 and $206 for the years ended June 30, 2023, and 2022, respectively. These are included in general and administrative expenses in the accompanying consolidated statement of activities.

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.

(Dollars in thousands)

(14) 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, including 52% from the Organization's cognizant agent, the US Agency for International Development (USAID). A reduction in the amount of grants available or the Organization's ability to receive government grants would have a material impact on its programs and operations. The Organization's major donor groups are as follows:

Agency		2023	2022
US Agency for international Development (USAID)	$	360,154	53%
Foreign, Commonwealth & Development Office (UK FCDO)		39,563	6%
United Nations		23,349	3%
US Department of State		15,110	2%
Global Affairs Canada		12,645	2%
Other US agencies		6,363	1%
Other European agencies		63,183	9%
Private contributions and other sources		166,250	24%
Total operating support and revenue	$	686,617	100%

(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 20.3% and 21.2% of the total cash balance in the Organization's foreign locations as of June 30, 2023, and 2022, respectively. Of the cash held in foreign locations, 52.0% and 51.7% was held by the Organization's subsidiary entities involved in microfinance activities as of June 30, 2023, and 2022, respectively.

(Dollars in thousands)

(15) Gifts in Kind

The Organization received the following contributions of services and nonfinancial assets for the year ending June 30:

		2023	2022
Equipment	$	194	302
Software		804	149
Training		-	840
Legal Services		474	897
Other Services		422	30
Total	$	1,894	2,218

(a) Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded as Gifts 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 $999 and $1,291 as of June 30, 2023, and June 30, 2022, respectively.

(b) Contributed Services

Contributed services are recognized as Gifts in Kind revenue at their estimated fair value if they create or enhance nonfinancial assets or if they require 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 $896 and $927 as of June 30, 2023, and June 30, 2022, respectively.

(Dollars in thousands)

(16) Net Assets

(a) Changes in Consolidated Net Assets without Donor Restrictions Attributable to Controlling and Noncontrolling Interests

		Controlling Interest	Noncontrolling Interest	Total
Balance July 1, 2021	$	105,222	11,888	117,110
Excess of revenue over expenses		18,665	4,778	23,443
Change in net unrealized gains and losses on other than trading securities		83	-	83
Acquisition on subsidiaries		1,474	-	1,474
Change in net assets		20,222	4,778	25,000
Balance June 30, 2022		125,444	16,666	142,110
Excess of revenue over expenses		12,039	2,282	14,591
Change in net unrealized gains and losses on other than trading securities		81	-	81
Acquisition on subsidiaries		1,038	76	1,114
Dividends distributed		-	(2,989)	(2,989)
Change in net assets		13,428	(631)	12,797
Balance on June 30, 2023	$	138,872	16,035	154,907

(b) Net Assets with Donor Restrictions

Net assets subject to donor restrictions were restricted for the following purposes or geographic regions as of June 30, 2023:

(Dollars in thousands)

Subject to expenditure for a specified purpose:		
Humanitarian assistance - relief	$	15,326
Humanitarian assistance - recovery		359
Livelihood/economic development		5,647
Civil society and education		2,646
Health		1,177
Resource development		210
Total net assets with purpose restrictions		25,365
Subject to expenditure in a specified region:		
Africa		36
Americas		6
Asia		289
Europe		1
Middle East		233
Total net assets with region restrictions		565
Total net assets with donor restrictions	$	25,930

The Organization did not have net assets subject to time restrictions as of June 30, 2023.

(17) 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, 2023:

Mercy Corps India was formed in August 2010 as a joint-stock company to carry out operations in India. This entity began dissolution in 2023.

Mercy Corps Egypt, LLC was formed in 2012 to establish a field office and operations in Egypt. This entity began dissolution in 2016 and remains in dissolution as of June 30, 2023.

Kompanion Development was formed in 2008 to assist with development in Kyrgyzstan. This entity began dissolution in 2023.

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, 2022, and 2023.

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 in 2024.

Humanitarian Energy PLC was established as a new entity in Ethiopia in 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).

Mercy Corps Corporate Fund (MCCF) (previously Asian Credit Public Fund) was formed in 2020 and is the custodian of the sales proceeds of the Asian Credit Fund.

The total combined net assets of the 8 entities listed above are $9,834 and $5,733 as of June 30, 2023 and 2022, respectively.

(18) Subsequent Events

The Organization has performed an evaluation of subsequent events through January 24, 2024, 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 as of June 30, 2023, and 2022.

SUPPLEMENTAL SCHEDULES

Schedule I

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Schedule of Financial Position

Year ended June 30, 2023
(With comparative financial information as of June 30, 2022)

(In thousands)

Assets		**2023**		**2022**
Cash and cash equivalents	$	130,264	$	91,327
Investments		11,145		24,258
Financial instruments and derivatives, net		223		-
Grants and accounts receivable		57,866		45,406
Microfinancing loans receivable, net		236		328
Due from unconsolidated affiliates, net		21,919		14,198
Inventories and material aid		32		451
Prepaid expenses, deposits, and other assets		6,236		7,019
Program-related investments		18,135		19,113
Property and equipment, net		25,867		26,339
Right-of-use assets		12,651		-
Total assets	$	284,574	$	228,439
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	$	74,068	$	51,844
Deferred revenue		77,550		54,570
Debt for microfinancing activities		486		551
Lease liabilities		10,013		-
Long-term debt		4,779		4,927
Total liabilities		166,896		111,892
Net assets:				
Without donor restrictions		97,451		92,389
With donor restrictions		20,227		24,158
Total net assets		117,678		116,547
Total liabilities and net assets	$	284,574	$	228,439

Schedule II

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Schedule of Activities

Year ended June 30, 2023
(With comparative financial information for the year ended June 30, 2022)

	2023			
	Without donor restrictions	**With donor restrictions**	**Total**	**2022 Total**
Operating support and revenue:				
Public support and revenue:				
Government grants	$ 400,715	$ -	$ 400,715	$ 287,573
Material aid	1,184	-	1,184	185
Total public support and revenue	401,899	-	401,899	287,758
Other support and multilateral revenue:				
Other grants	69,486	-	69,486	65,049
Contributions	30,490	14,717	45,207	63,921
Gifts in kind	1,894	-	1,894	2,218
Bequests	2,434	-	2,434	2,503
Total other support and multilateral revenue	104,304	14,717	119,021	133,691
Other revenue:				
Interest income	2,100	-	2,100	94
Other revenue	2,153	134	2,287	2,524
Total other revenue	4,253	134	4,387	2,618
Net assets released from restriction	18,783	(18,783)	-	-
Total operating support and revenue	529,239	(3,932)	525,307	424,067
Operating expenses:				
Program services:				
Humanitarian assistance – relief	171,762	-	171,762	107,520
Humanitarian assistance – recovery	42,340	-	42,340	32,128
Livelihood/economic development	134,999	-	134,999	109,732
Civil society and education	62,004	-	62,004	42,529
Health	26,346	-	26,346	26,892
Total program services	437,451	-	437,451	318,801
Supporting services:				
General and administrative	70,876	-	70,876	58,885
Resource development	17,599	-	17,599	16,591
Total supporting services	88,475	-	88,475	75,476
Total operating expenses	525,926	-	525,926	394,277
Change in net assets from operations	3,313	(3,932)	(619)	29,790
Nonoperating gains and losses net:				
Foreign currency exchange gain (loss), net	150	1	151	(19)
Realized and unrealized gain (loss) on investments, net	1,376	-	1,376	(25)
Gain (loss) on swap agreements	223	-	223	-
Total nonoperating gains and losses, net	1,749	1	1,750	(44)
Change in net assets	5,062	(3,931)	1,131	29,746
Net assets at beginning of year	92,389	24,158	116,547	86,801
Net assets at end of year	$ 97,451	$ 20,227	$ 117,678	$ 116,547