MERCY CORPS AND AFFILIATES

Consolidated Financial Statements
and Supplemental Schedules

June 30, 2015

(With Independent Auditors' Report Thereon)

MERCY CORPS AND AFFILIATES

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KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Mercy Corps and affiliates:

We have audited the accompanying consolidated financial statements of Mercy Corps and affiliates, which comprise the consolidated statement of financial position as of June 30, 2015, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mercy Corps and affiliates as of June 30, 2015, and the changes in their net assets, cash flows, and functional expenses for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Mercy Corps and affiliates 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated October 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included 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, 2015

MERCY CORPS AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2015
(with comparative financial information as of June 30, 2014)

(In thousands)

Assets		**2015**	**2014**
Cash	$	73,883	69,161
Financial instruments and derivatives, net		2,851	3,866
Grants and accounts receivable		20,641	15,985
Microfinance loans receivable, net		72,525	79,597
Due from unconsolidated affiliates, net		14,268	7,873
Inventories		6,890	5,833
Prepaid expenses, deposits, and other assets		7,199	7,049
Pledges receivable, net		1,260	2,512
Notes receivable		—	10,988
Investments		9,984	4,621
Program-related investments		5,496	5,352
Property and equipment, net		40,108	40,457
Total assets	$	255,105	253,294
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	41,547	35,032
Deferred revenue		40,976	38,595
Subsidiary and subordinated debt for microfinancing activities		71,108	81,325
Long-term debt		10,260	24,312
Total liabilities		163,891	179,264
Net assets:			
Unrestricted:			
Controlling interests		58,890	53,030
Noncontrolling interests		7,413	—
Total unrestricted		66,303	53,030
Temporarily restricted		24,911	21,000
Total net assets		91,214	74,030
Total liabilities and net assets	$	255,105	253,294

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2015
(with summarized financial information for the year ended June 30, 2014)

(In thousands)

	Unrestricted	Temporarily restricted	Totals	2014 Total
Operating support and revenue:				
Public support and revenue:				
U.S. Government grants	$ 219,503	—	219,503	182,552
Material aid	16,149	—	16,149	12,406
Total public support and revenue	235,652	—	235,652	194,958
Private support and other multi-lateral revenue:				
Other grants	54,908	—	54,908	47,194
Contributions	22,870	17,980	40,850	35,959
Gifts in kind – services	509	—	509	574
Total private support and revenue	78,287	17,980	96,267	83,727
Other revenue:				
Interest income	28,952	—	28,952	27,005
Other revenue	2,749	—	2,749	1,067
Total other revenue	31,701	—	31,701	28,072
Net assets released from restriction	14,069	(14,069)	—	—
Total operating support and revenue	359,709	3,911	363,620	306,757
Operating expenses:				
Program services:				
Humanitarian assistance – relief	116,303	—	116,303	86,172
Humanitarian assistance – recovery	15,033	—	15,033	15,678
Livelihood/economic development	87,734	—	87,734	79,585
Civil society and education	44,000	—	44,000	46,056
Health	38,696	—	38,696	33,475
Total program services	301,766	—	301,766	260,966
Supporting services:				
General and administrative	35,452	—	35,452	33,411
Resource development	14,235	—	14,235	14,490
Total supporting services	49,687	—	49,687	47,901
Total operating expenses	351,453	—	351,453	308,867
Change in net assets from operations	8,256	3,911	12,167	(2,110)
Nonoperating revenue and losses net:				
Foreign currency exchange loss, net	(4,228)	—	(4,228)	(2,566)
Realized and unrealized loss on investments, net	(29)	—	(29)	(808)
Unrealized (loss) gain on foreign currency hedge agreements	(5,039)	—	(5,039)	1,743
Other nonoperating increase in net assets	6,268	—	6,268	496
Total nonoperating revenue and losses net	(3,028)	—	(3,028)	(1,135)
Change in net assets before noncontrolling interest	5,228	3,911	9,139	(3,245)
Purchase of interest in affiliate by noncontrolling shareholder	8,045	—	8,045	—
Change in net assets	13,273	3,911	17,184	(3,245)
Net assets at beginning of year	53,030	21,000	74,030	77,305
Net assets at end of year	$ 66,303	24,911	91,214	74,060

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended June 30, 2015
(with summarized financial information for the year ended June 30, 2014)

(In thousands)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 17,184	(3,275)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,841	4,210
Provision for loan losses	765	929
Net realized and unrealized loss on investments	4,257	3,206
Unrealized loss (gain) on interest rate swaps and foreign exchange arrangements	1,015	(1,743)
Net assets acquired in acquisition	(6,268)	—
Stock purchase by non-controlling interest	(8,045)	—
Loss on disposition of fixed assets	1,355	1,578
Changes in assets and liabilities:		
Grants and accounts receivable	(4,655)	(4,334)
Due from unconsolidated affiliates, net	(6,395)	991
Inventories	(1,057)	1,670
Prepaid expenses, deposits, and other assets	(151)	1,272
Pledges receivable	1,253	(1,557)
Accounts payable and accrued liabilities	1,870	4,591
Deferred revenue	2,381	(239)
Net cash provided by operating activities	7,350	7,299
Cash flows from investing activities:		
Purchase of investments, net	(5,083)	(306)
Issuances of microfinance loans, net	6,271	(3,484)
Acquisition of property and equipment	(4,847)	(4,330)
Disposition of entities	—	(718)
Net cash used in investing activities	(3,659)	(8,838)
Cash flows from financing activities:		
Issuance of common stock	8,045	—
Proceeds from borrowings by microfinance entities	55,886	56,321
Repayments on borrowings of microfinance entities	(66,104)	(49,224)
Issuance of long term debt	10,260	—
Repayments on long-term debt	(7,056)	(18)
Net cash provided by financing activities	1,031	7,079
Net increase in cash and cash equivalents	4,722	5,540
Cash at beginning of year	69,161	63,621
Cash at end of year	$ 73,883	69,161
Supplemental disclosures:		
Interest paid during the year	$ 9,592	10,356
Noncash contributions	16,512	12,980

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended June 30, 2015
(with summarized financial information for the year ended June 30, 2014)

(In thousands)

	Program services						Support services			
	Humanitarian assistance – relief	Humanitarian assistance – recovery	Livelihood/ economic development	Civil society and education	Health	Total program services	General and administration	Resource development	Total expenses	2014 Total
Personnel	$ 22,909	4,387	19,247	13,637	9,411	69,591	25,245	5,491	100,327	88,578
Professional services	3,708	1,120	4,255	2,750	390	12,223	1,094	1,695	15,012	11,299
Travel and vehicle expense	4,434	888	3,927	2,122	1,870	13,241	4,340	338	17,919	15,815
Office and occupancy expense	4,024	669	2,813	1,859	1,346	10,711	2,985	4,353	18,049	15,699
Other operating expenses	666	148	2,232	299	279	3,624	473	2,307	6,404	6,681
Material aid	3,951	—	—	—	6,150	10,101	—	—	10,101	12,406
Materials and supplies	46,307	1,784	6,135	3,949	1,490	59,665	—	—	59,665	47,899
Construction, non-owned assets	4,513	133	883	3,551	2,756	11,836	—	—	11,836	12,109
Training, monitoring, and evaluation	2,545	781	3,646	1,933	1,681	10,586	11	1	10,598	11,274
Subgrants	22,878	5,023	18,877	13,403	13,004	73,185	—	—	73,185	54,022
Microfinancing activity	—	—	24,516	—	—	24,516	—	—	24,516	28,875
Depreciation and amortization	368	100	1,203	497	319	2,487	1,304	50	3,841	4,210
	$ 116,303	15,033	87,734	44,000	38,696	301,766	35,452	14,235	351,453	308,867

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

Mercy Corps, headquartered in Portland, Oregon, is incorporated under the laws of the state of Washington as a nonprofit corporation. Mercy Corps' mission is to alleviate suffering, poverty, and oppression by helping people build secure, productive, and just communities around the globe.

Mercy Corps is a global organization, 4,000 strong, powered by the belief that a better world is possible. Mercy Corps helps people survive and get back on their feet when natural disaster strikes, economies collapse or conflict erupts. Where there are chronic threats to peace and progress, Mercy Corps partners with communities to overcome obstacles and thrive.

Mercy Corps employees live and work in more than 40 countries facing the world's toughest challenges. For more than three decades, Mercy Corps has worked alongside more than 170 million extraordinary people to strengthen their communities from within. In everything we do, Mercy Corps looks for moments of transition to connect people to resources and expertise that can catalyze transformative change.

The consolidated financial statements include the accounts of Mercy Corps and its controlled affiliates, collectively, "the Organization" or "Mercy Corps." All material intercompany transactions and balances have been eliminated. Consolidated affiliates include:

Mercy Corps Foundation (MCF)
Mercy Corps Investment Fund, LLC
Mercy Corps Headquarters Manager, Inc.
Mercy Corps Headquarters Building, LLC
Mercy Corps Master Tenant Manager, LLC
Mercy Corps Headquarters Master Tenant Manager, LLC
Kompanion Financial Group Microfinance Closed Joint Stock Company
Kompanion Development Institution
Asian Credit Public Fund
Hunchun Association for Poverty Alleviation in the Tumen River Area
Yanbian Association for Poverty Alleviation in the Tumen River Area
Yayasan Microfinance Innovation & Resource Center Foundation
Mercy Enterprise Corporation (MEC) d/b/a Mercy Corps Northwest
Mercy Corps India, Not For Profit, Joint Stock Company
Mercy Corps International, Jordan
Yayasan Mercy Corps Indonesia
MC Egypt, LLC
Custom Clouds Public Benefit Corporation
Mercy Corps China Holdings, LLC
MC Nigeria (Limited by Guarantee)
Mercy Corps Development Holdings, LLC
MC Morocco, LLC

(Continued)

(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.

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:

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets – net assets that are subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of Mercy Corps.

(b) Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States, 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 revenues and expenses during the reporting period. Significant estimates in the Organization's consolidated financial statements include loan loss reserves for the microfinance institutions, fair value of investments, functional expense allocations, and net realizable value of pledges receivables. 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 revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

Funds provided under grant or contract, which are not considered contributions, are deemed to be earned and reported as revenue when Mercy Corps has either incurred expenditures or completed the deliverables in compliance with the specific terms and conditions of the grant or contract. Grant or contract funds received for which no corresponding expenditure or performance has yet been made are accounted for as deferred revenue. Expenditures and performance made in advance of funds received are recorded as grants or accounts receivable.

Donated services that meet the criteria for recognition in accordance with generally accepted accounting principles are reported as gift-in-kind services and expenses in amounts equal to their estimated fair value on the date of receipt. Approximately $364 and $574 of legal services were provided pro bono to the Organization in 2015 and 2014, respectively.

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

Gifts in kind and contributions of fixed assets and materials are reported as contributions at their estimated fair values on the date of receipt and reported as expense when utilized.

(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 by various statistical bases.

(e) Change in Net Assets from Operations

Change in net assets from operations excludes activities that Mercy Corps considers to be outside the scope of its primary business, as defined by their 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 revenues 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 statements of activities in the nonoperating revenue and expenses section as foreign currency exchange gain or loss.

(g) Income Taxes

Mercy Corps 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.

Accounting principles generally accepted in the United States of America require Mercy Corps' management to evaluate tax positions taken by Mercy Corps and recognize a tax liability (or asset) if Mercy Corps has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed tax positions taken by Mercy Corps and has concluded that as of June 30, 2015, 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. Mercy Corps is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Mercy Corps' management believes it is no longer subject to income tax examinations for years prior to 2012.

(h) Cash

Cash consist of short-term, highly liquid investments with original maturities of three months or less at the date of acquisition.

(Continued)

Certain cash accounts are maintained as separate accounts that represent cash held in trust or as collateralized cash. These types of accounts totaled $18,433 and $2,669 at June 30, 2015 and 2014, respectively.

(i) Investments

The Organization holds various types of investments, including money market accounts, mutual funds and managed accounts. 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 a certificate of authority from the state's of Oregon and Washington and a few other states to receive transfers of money or property upon agreement to pay an annuity. The annuity liability included in other liabilities as of June 30, 2015 and 2014 was $337 and $346, respectively. The Organization maintains trust accounts for all gift annuities. The amounts under trust were $658 and $618 as of June 30, 2015 and 2014, respectively and are included in the accompanying balance sheet. No annuity contracts have been issued in the state of Washington as of June 30, 2015.

(k) Financial Instruments and Derivatives

Derivative financial instruments include back to back loans held by the consolidated microfinance institutions. The Organization utilizes these strategies to minimize risk associated with fluctuations in both interest rates and foreign currency exchange rates. Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of the interest rate swaps are recognized currently as an unrealized gain or loss on swap agreements in nonoperating revenue and expenses, net.

(l) Fair Value Measurements

The Organization applies the accounting standard, *Fair Value Measurements and Disclosures* (ASC 820), that established a framework for measuring fair value. This standard defines the 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 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:

Investments – Fair values for these investments are based on quoted market prices (Level 1).

Derivative financial instruments – The fair value of the Organization's interest rate and currency swaps 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 statements of financial position. The fair values of the interest and currency rate swaps are based on models that rely on observable market-based data (Level 2).

(m) Fair Value of Financial Instruments and Derivatives

The carrying value of cash, grants and other receivables, loans receivable and payable approximates their estimated fair value as of June 30, 2015 and 2014, due to the relative short maturities of these instruments. However, the inputs to these fair value estimates other than cash are considered Level 3 in the fair value hierarchy. The carrying value of variable rate long-term debt approximates fair value as such changes are captured in the changing interest rate rather than a change in the instrument value. The inputs to their fair value estimates are considered Level 2 in their fair value hierarchy. In accordance with ASC Subtopic 825-10-50, *Financial Instruments – Overall – Disclosures*, management has determined that it is not practicable to estimate the fair value of notes receivable, subsidiary and subordinated debt for microfinancing activities, and fixed rate long-term debt due to the unique nature of each of these transactions. None of these transactions have available quoted market equivalents. Additional information about matters affecting the fair value, such as current interest rates and maturities, is included at note 5 for notes receivable, note 9 for long-term debt, and note 10 for subsidiary and subordinated debt for microfinancing activities.

(n) Grants and Accounts Receivable

The majority of the Organization's grants and accounts receivable are due from private foundations and federal agencies. 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. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

(o) Microfinance Loans Receivable and Related Services

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 MFIs, 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 statements of activities, and it is the Organization’s intent to reinvest all proceeds generated back into mission-related programs.

The following MFIs and MFI technical assistance organizations are consolidated in the accompanying consolidated financial statements.

Kompanion Financial Group Microfinance Closed Joint Stock Company (Kompanion), a for-profit entity, was formed in 2004 in the Kyrgyz Republic to engage in microfinance activities. Mercy Corps is the Founder and majority shareholder of Kompanion. In February 2015, Kompanion issued additional shares to a third party, which resulted in a reduction in ownership interest for Mercy Corps from 100% to 65%.

Asian Credit Public Fund (ACF) was formed in 2001, and is registered in the Republic of Kazakhstan as a nonprofit nonmember organization to carry out certain types of banking operations. Mercy Corps is the Founder of ACF. Prior to 2014, ACF, along with Mercy Corps, owned 100% of Asian Credit Fund, Microcredit Organization, Limited Liability Company (ACF, MCO LLC), a for-profit commercial microcredit organization in the Republic of Kazakhstan. In April of 2014, ACF, MCO LLC sold 41% of its shares to a third party, resulting in a 24% ownership in ACF, MCO LLC for ACF and 35% ownership for Mercy Corps.

Hunchun Association for Poverty Alleviation in the Tumen River Area and the Yanbian Association for Poverty Alleviation in the Tumen River Area (collectively, the PATRAs) were formed in 2002 and 2003, respectively, as a means toward the alleviation of poverty and suffering in certain areas in China. These organizations are registered under Chinese law and are considered local projects of Mercy Corps. Under a Memorandum of Understanding, Mercy Corps controls the PATRA entities.

In 2001, Mercy Corps established Mercy Enterprise Corporation (MEC), dba Mercy Corps Northwest, as a nonprofit corporation under the laws of the state of Oregon in order to provide economic development services to low-income populations in the states of Oregon and Washington. Mercy Corps maintains control of the board of directors along with control and management of MEC’s programs.

Yayasan Microfinance Innovation & Resource Center Foundation (MICRA Indonesia) was formed in 2006 in Indonesia to provide technical assistance to the development, improvement and progress of the microfinance industry sector. The Foundation is controlled by an Advisory Board, composed of Mercy Corps employees.

Microfinance loans receivable are recorded in the consolidated statements 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 Organization reviews MFI loans to assess impairment on a regular basis. A loan is considered impaired when, based on current information, it is probable that the MFI's 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 statements 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.

(p) 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 statements of activities as "Material aid." Funds received from monetization of commodities are deferred until utilized in program activities.

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.

(q) 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. generally accepted accounting principles. The investments are typically in the form of equity investments funded with grants or the Organization's unrestricted funds. 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.

(r) Property and Equipment, Net

Land, buildings, and equipment are stated at acquisition cost or fair value on 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 and equipment	3–10
Vehicles	3–5

The Organization has adopted a policy of applying a time restriction that expires over the useful life of the long-lived assets acquired or constructed with contributions restricted for that purpose, and therefore, releases amounts from temporarily restricted net assets ratably over the same useful life.

(s) Reclassifications

Certain reclassifications have been made to prior years' amounts to conform to the current year presentation.

(t) Comparative Financial Information

The accompanying consolidated financial statements include certain prior year summarized information. With respect to the consolidated statements of functional expenses, information from the prior year is presented in the aggregate and not presented by function. Accordingly, such information should be read in conjunction with the Organizations prior year consolidated financial statements from which the summarized information was derived.

(In thousands)

(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, 2015 consisted of the following:

		Level 1	Level 2	Total
Assets:				
Investments:				
Mutual Funds – equity	$	3,046	—	3,046
Mutual Funds – fixed income		6,806		6,806
Real estate invesment trust		132	—	132
Total investments		9,984	—	9,984
Derivative financial instruments:				
Foreign currency arrangements		—	2,851	2,851
Total	$	9,984	2,851	12,835

Fair value measurements for the assets measured at fair value on a recurring basis at June 30, 2014 consisted of the following:

		Level 1	Level 2	Total
Assets:				
Investments:				
Mutual Funds – equity	$	3,857	—	3,857
Mutual Funds – fixed income		764	—	764
Total investments		4,621	—	4,621
Derivative financial instruments:				
Foreign currency arrangements		—	4,032	4,032
Total		4,621	4,032	8,653
Liabilities:				
Derivative financial instruments:				
Interest rate swaps		—	166	166
Total		—	166	166
Financial instruments and derivatives, net	$	4,621	3,866	8,487

Mercy Corps had no Level 3 assets or liabilities measured at fair value at June 30, 2015 and 2014.

(Continued)

(In thousands)

(4) Pledges Receivable

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges receivable are expected to be collected in future years and are recorded after discounting at 0.28% to 1.01% to the present value of expected future cash flows.

Unconditional promises are expected to be collected in the following periods:

	2015	2014
One year or less	$ 709	2,248
Between one year and five years	567	273
	1,276	2,521
Less discount	(16)	(9)
Pledges receivable, net	$ 1,260	2,512

(5) Notes Receivable

At June 30, 2015 and 2014, notes receivable comprise the following:

	2015	2014
Mercy Corps Investment Fund, LLC, interest at 4.75%, matures April 1, 2015	$ —	10,988

As discussed further at note 9, Mercy Corps Investment Fund, LLC, (MCIF) was acquired by Mercy Corps Foundation in June 2015 as part of the unwind of a new market tax credit program and the note receivable was eliminated upon consolidation. In prior years, MCIF was controlled by U.S. bank and not consolidated.

(6) 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. Microcredit loans are issued with original maturities ranging from 3 to 36 months. Individual microcredit loans are generally secured by business assets.

(In thousands)

Microfinance loans receivable were concentrated in the following countries as of June 30, 2015 and 2014:

		2015	2014
China	$	1,643	1,467
Kyrgyzstan		74,038	81,414
Other		742	757
		76,423	83,638
Less loan loss reserves		(3,898)	(4,041)
Microfinance loans receivable, net	$	72,525	79,597

The Organization applies ASC 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 MFI receivables as of June 30, 2015 and 2014 are presented as follows:

		2015	2014
Loan loss reserve, beginning	$	(4,041)	(3,776)
Adjustments to reserve		(658)	(814)
Write-off		824	560
Recovery		(23)	(11)
Loan loss reserve, ending	$	(3,898)	(4,041)

The reserves noted above can be attributed to loans that are past due or current as follows at June 30, 2015:

		Current	Past due	Total
Microfinance loans receivable	$	74,813	1,610	76,423
Less loan loss reserves		(3,039)	(859)	(3,898)
Microfinance loans receivable, net	$	71,774	751	72,525

(In thousands)

The reserves noted above can be attributed to loans that are past due or current as follows at June 30, 2014:

		Current	Past due	Total
Microfinance loans receivable	$	82,951	687	83,638
Less loan loss reserves		(4,006)	(35)	(4,041)
Microfinance loans receivable, net	$	78,945	652	79,597

(7) Property and Equipment

		2015	2014
Land	$	4,410	3,815
Buildings and leasehold improvements		37,556	37,522
Vehicles		10,854	10,339
Furniture, fixtures, and equipment		9,814	8,866
Property and equipment		62,634	60,542
Less accumulated depreciation and amortization		(22,526)	(20,085)
Property and equipment, net	$	40,108	40,457

(8) Program-Related Investments

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

		2015	2014
PT Bank Andara, Indonesia	$	2,862	3,342
ACF, MCO, LLC, Kazakhstan		1,289	805
TenGer Financial Group LLC, Mongolia		624	624
Kompanion Invest, Kyrgyzstan		275	325
MICRO		197	211
MEVCF		109	45
Other		140	—
	$	5,496	5,352

PT Bank Andara (Andara), a limited liability company, was organized under the laws of the Republic of Indonesia in 2009 by an investor consortium, led by Mercy Corps. Mercy Corps founded Bank Andara to deliver innovative financial services to millions of low-income Indonesian families. Andara serves as the strategic banking partner to the Indonesian microfinance sector, which encompasses over 50,000 institutions. At June 30, 2015 and 2014, the Organization owned 22% of the outstanding shares of Andara. This investment is reported on the equity method of accounting. The summarized financial data for Andara is as follows:

(In thousands)

		2015	2014
Total assets	$	71,118	85,288
Total liabilities		(58,901)	(70,103)
Total equity	$	12,217	15,185
Total operating revenue	$	9,683	15,460
Total operating expense		(10,711)	(19,636)
Nonoperating (loss) gain		394	(1,495)
Net loss	$	(634)	(5,671)

In April 2014, ACF MCO, LLC sold 41% of its shares to a third party. Mercy Corps now owns 35% directly and reports this investment on an equity basis.

TenGer Financial Group, LLC (TenGer) is a Mongolian company, whose largest holding is XacBank. XacBank was formed in 2001 through a combination of microfinance activities from local nonbank financial institutions. Mercy Corps was one of the initial funders of this entity through a variety of investments that started in December 1999, when Mercy Corps formed a for-profit, nonbanking institution whose mission was to serve the credit needs of small and medium enterprises (SMEs) in the Mongolian Gobi region. At June 30, 2015 and 2014, the Organization owned 7.6% of the outstanding shares of TenGer. This investment is recorded on the cost basis.

Kompanion Invest LLC was formed in Kyrgyzstan in October 2011 to provide a bank based on the Shariah principles. The organization is owned 99.9% by Kompanion. Mercy Corps does not consolidate Kompanion Invest due to its immaterial financial impact to Mercy Corps, but does report the investment on an equity basis.

MICRO Insurance Catastrophe Risk Organization SCC and MiCRO Insurance Catastrophe Risk Organization Cell A (MICRO) were formed in March 2011 to engage in the insurance business to achieve alleviation of poverty in Haiti and elsewhere in the Caribbean region by providing immediate relief to the economically disadvantaged in the event of future natural disasters. At June 30, 2015 and 2014, Mercy Corps owned 25% of MiCRO – SCC and 23.3% of MiCRO – Cell A. Mercy Corps reports the investment in MICRO’s on an equity basis.

In fiscal 2011, Mercy Corps 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 the information and communications technology sectors. At June 30, 2015 and 2014, Mercy Corps owned less than 2% of this fund. The investment is recorded on a cost basis.

Mercy Corps has other small investments in various entities recorded on a cost basis. These investments are made in line with the mission of Mercy Corps to partner with developing social enterprises.

(9) Debt

On September 14, 2009, Mercy Corps occupied a new headquarters building in Portland, Oregon. Financing for the $38 million project was provided by a Mercy Corps Foundation capital campaign, commercial loans, sale of a condominiumized unit, and both New Market Tax Credit (NMTC) and Federal Historic Tax Credit (FHTC) funding.

Mercy Corps Investment Fund, LLC (MCIF), a subsidiary of U.S. Bank, was the investor for the NMTC program. MCIF was funded by a commercial loan, a loan from Mercy Corps Foundation (MCF) and equity investment from a private investor. As the NMTC program investor, MCIF was required to make Qualified Equity Investments (QEIs) in eligible Community Development Entities (CDEs) with available tax credit allocations. MCIF contributed QEI funds to three separate CDEs. Each of the three CDEs used the QEI funds, through designated sub-CDEs, to make Qualified Low-Income Community Investments (QLICIs) in the form of loans to Mercy Corps Headquarters Building, LLC, as a Qualified Active Low-Income Community Investment Business (QALICB).

MC Foundation participated in this original financing by providing a loan of $10.9M raised in capital campaign funds to MCIF. On June 2, 2015, the Foundation exercised an option to acquire MCIF for one thousand dollars resulting in a gain on purchase of $6,268 which is classified as other non-operating increase in net assets in the Consolidated Statement of Activities. The option was exercised as part of the unwind of the NMTC program after the expiration of the statutory 7 - year period. As part of the unwind, MCIF was assigned the rights, title and interest in the $24,006 of loans held by CDE's. This $24,006 of loans eliminates upon consolidation of Mercy Corps and MCF.

Mercy Corps Headquarters Building, LLC's (Building) sole purpose was to function as a QALICB. Building was funded by QLICI loans from sub CDEs, FHTC equity investment from Mercy Corps Headquarters Master Tenant, LLC (Tenant), and other equity investment from Mercy Corps Headquarters Manager, Inc. (Manager). As part of the unwind, the Building, Tenant, and Manager entities were dissolved as of June 30, 2015.

Subsequent to the unwind of the NMTC Program, on June 25, 2015, Mercy Corps issued $9.1M in tax-exempt bonds, placed with US Bank, N.A. (USBNA). The proceeds were used to refinance some of the maturing debt associated with the original financing including a $6,748 loan from USBNA to the investor, MCIF, and $2.2M for the purchase of the privately owned six thousand sq. ft. of the Mercy Corps headquarters building.

(In thousands)

At June 30, long-term debt consisted of the following:

		2015	2014
NCF Sub-CDE, LLC:			
Interest rate of LIBOR+1.9% (2.06% at June 30, 2014) for 28.12% of the outstanding principal balance and a fixed rate of 4.11% for 71.88% of the outstanding principal balance. Interest only payments are due monthly, until the loan matures on March 3, 2038, secured by real property	$	—	9,801
NNMF Sub-CDE III, LLC:			
Interest rate of LIBOR+1.9% (2.06% at June 30, 2014) for 28.12% of the outstanding principal balance and a fixed rate of 3.67% for 71.88% of the outstanding principal balance. Interest only payments are due monthly, until the loan matures on March 19, 2038, secured by real property		—	7,275
USBCDE Sub-CDE XX, LLC:			
Interest rate of LIBOR+1.9% (2.06% at June 30, 2014) for 28.12% of the outstanding principal balance and a fixed rate of 3.35% for 71.88% of the outstanding principal balance. Interest only payments are due monthly, until the loan matures on March 19, 2038, secured by real property		—	6,930
U.S. Bank, N.A.:			
Interest Rate of 3.07% until June 30, 2022, payable in monthly principal and interest installments of $44, with a balloon payment due June 30, 2022 unless waived to June 30, 2029		9,130	—
Beneficial Bank:			
Interest at 1.5% above the U.S. Prime Rate Index. Current rate is 4.75%, matures June 10, 2026		900	—
Subsidiary debt from two investors, 4% per annum matures January 1, 2021		230	—
Portland Development Commission:			
Interest is variable 1% in 2014, payable in monthly principal and interest installments, with a balloon payment due in March 2018, secured by real property, paid off on March 31, 2015		—	306
	$	10,260	24,312

(In thousands)

Future maturities of long-term debt outstanding at June 30, 2015 are as follows:

Year ending:		
2016	$	1,122
2017		255
2018		263
2019		271
2020		279
Thereafter		8,070
Total	$	10,260

(a) Line of Credit

The Organization has a $3,500 line of credit commitment with a bank for working capital purposes, which bears interest at 2% above the Daily One Month LIBOR rate. The line is collateralized by a security interest in the Organization's accounts receivable, inventory and equipment and was renewed on March 1, 2015 and expires on March 1, 2017. During 2015 and 2014 there were no borrowings during the year and as of June 30, 2015 and 2014, the Organization has no outstanding borrowings under the line of credit.

(b) Covenants

The credit agreements under the $9.1M promissory note from U.S. Bank N.A., and the line of credit bank contain certain restrictive covenants that require, among other things, that the Organization maintain certain fixed charge coverage ratios and minimum levels of unrestricted cash and cash equivalents.

(c) Guarantee

Both Mercy Corps and Mercy Corps Foundation are guarantors on the promissory note and line of credit.

(10) Subsidiary and Subordinated Debt for Microfinancing Activities

Microfinancing debt proceeds are primarily 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 MFI loan receivables. Mercy Corps does not guarantee the repayment on this debt. Payment terms on these loans vary.

(In thousands)

Debt maturities as of June 30, 2015 were as follows:

Year ending:		
2016	$	18,028
2017		30,305
2018		15,425
2019		3,567
2020		460
Thereafter		3,323
	$	71,108

The above debt represents obligations of the following subsidiaries of Mercy Corps:

		2015	2014
Mercy Enterprise Corporation	$	1,153	1,263
Kompanion		69,955	80,062
	$	71,108	81,325

Interest rates of subsidiary borrowings at June 30, 2015 are as follows:

Subsidiary	Lender	Interest rates		Balance
Mercy Enterprise Corporation	Various	0.00%–2.00%	$	1,153
Kompanion	BistumEssen	7.25%–7.40%		5,666
Kompanion	BlueOrchard	6.75%–7.25%		8,258
Kompanion	Calvert Social Invest	7.00%		1,537
Kompanion	Dual Return	16.25%		628
Kompanion	EBRD	20.79%–21.46%		6,767
Kompanion	Global Commercial	7.25%		2,042
Kompanion	Impulse MicroFund	6.75%		3,041
Kompanion	Incofin	6.75%		4,321
Kompanion	MinFln	8.00%–12.00%		3,321
Kompanion	Netri Private	5.25%		610
Kompanion	Oikocredit	Various		8,152
Kompanion	RES_SICAV	7.25%		5,712
Kompanion	SNS Institutional Fund	6.50%		1,039
Kompanion	Symbiotics	6.25%–16.50%		9,627
Kompanion	Triodos	7.25%		8,194
Kompanion	Triplejump	7.00%–10.50%		1,040
			$	71,108

(In thousands)

The above debt also includes subordinated debts of $834 and $6,269, at June 30, 2015 and 2014, respectively. This subordinated debt is subordinate to all other debt of the individual subsidiary. Payment terms can be accelerated only if the respective subsidiary fails to make interest payments, uses proceeds for a purpose other than that stated in the debt agreements, or ceases its normal operations. The subordinated debt maturity dates range from 2016 to 2020; however, the actual maturity dates are automatically extended each year unless the lender exercises its rights to set the final maturity date.

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2015 and 2014:

		2015	2014
Organization programs	$	17,980	13,917
Headquarters building		6,931	7,083
	$	24,911	21,000

(12) Obligations under Operating Leases

The Organization leases office space under operating leases that require payments through 2024. The leases contain annual escalation clauses at fixed percentages or based on the consumer price index. At June 30, 2015, the Organization's aggregate minimum annual operating lease commitments are as follows:

2016	$	911
2017		782
2018		579
2019		514
2020		344
Thereafter		1,706
	$	4,836

Total rent expense was $4,308 and $4,469 for the fiscal years ended June 30, 2015 and 2014, respectively. A majority of this rent expense relates to facilities that are not under a formal lease agreement.

(13) Commitments and Contingencies

The Organization receives a substantial portion of its funding in the form of grants from the U.S. government. 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. As of June 30, 2015 and 2014, the Organization recorded a contingent liability of $2,198 and $1,134, respectively, for potential claims and disallowances based on management's review of prior history and assessment of the current status of grant programs.

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.

(14) Employee Benefit Plan

The Organization 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, 2015 and 2014 amounted to $1,344 and $1,213, respectively.

The Organization also has an 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's contributions to the program for the years ended June 30, 2015 and 2014 amounted to $390 and $347, respectively.

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

(15) Related Parties

Mercy Corps Scotland (MCS) is a nonprofit corporation registered in the United Kingdom. MCS has a separate board of directors. MCS possesses legal and fiscal responsibility for projects implemented with grants and contributions that it receives from donors and government agencies. MCS has a clear and unequivocal responsibility to ensure that any program it supports or undertakes falls within the scope of its activities as set forth under Scottish charity legislation and that all funds are used appropriately. The Organization does not and cannot exert direct financial or operational control over MCS, and as such, MCS is not included in the Organization's consolidated financial statements.

MCS and the Organization share the same mission, purpose, and values as partners in an international network of colleagues working together to fulfill the basic purpose of the Organization's programs worldwide. MCS and the Organization work closely together as affiliates and, in some instances, both organizations will pool administrative and technical resources for the benefit of their respective projects. In such cases, an invoice for the actual costs incurred will be sent between MCS and the Organization. Additionally, the Organization will advance cash to the field on behalf of MCS to facilitate program cash management. MCS will reimburse the Organization for these advances on a monthly basis.

The Organization entered into a Memorandum of Understanding (MOU) with MCS on April 14, 2005. This MOU states that the Organization will assume any of MCS' financial liabilities that might arise from donor disallowances. Additionally, the Organization has agreed to indemnify MCS for all expenses related to material aid transactions in Europe. As of June 30, 2015 and 2014, the Organization has recorded $427 and

(Continued)

$179, respectively related to contingent donor disallowances arising from program activities carried out by MCS.

As of June 30, 2015 and 2014, the net amount due from MCS and other affiliates was $14,268 and $7,873, respectively.

(16) Significant Sources of Revenue and Concentration of Risk

(a) Significant Sources of Revenue

The Organization receives a majority of its funding through grants from the U.S. government. 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.

In order to fulfill grant agreements and maintain ongoing operations, the Organization maintains cash balances inside foreign countries and in local currencies. The Organization had 38.7% and 38.3%, of total cash in the Organization's foreign locations, of which 53.4% and 41.5% was held by the Organization's MFI's, as of June 30, 2015 and 2014, respectively.

(17) Subsidiary Entities

Mercy Corps is required to consolidate certain entities under the guidance of Financial Accounting Standards Board (FASB) ASC Topic 810, *Consolidation*. However, Mercy Corps has limitations on the use of the assets and is not directly obligated for the liabilities of these consolidated subsidiaries under the laws in place in the foreign jurisdiction of each of these subsidiaries.

In February 2015, Kompanion issued and sold 350 additional shares for $8,045 to permit three additional investors to become shareholders for a total combined 35% interest. As the controlling shareholder, Mercy Corps will continue to consolidate Kompanion, but now reflects a non-controlling interest in this affiliate in the consolidated financials.

(In thousands)

The summarized statements of financial position and statements of activities of the significant foreign subsidiaries of Mercy Corps before consolidation is as follows:

		Kompanion Financial Group, LLC	PATRA's	ACF, PF	Total
Total operating revenue	$	28,016	166	70	28,252
Total operating expense		(21,886)	(151)	(2)	(22,039)
Nonoperating gain (loss)		(7,714)	6	215	(7,493)
Net gain (loss)	$	(1,584)	21	283	(1,280)
Controlling interest loss	$	(1,030)	21	283	(726)
Noncontrolling interest loss		(554)	—	—	(554)
Net gain (loss)	$	(1,584)	21	283	(1,280)
Total assets	$	96,569	1,644	607	98,820
Total liabilities		(75,497)	(390)	(10)	(75,897)
Equity:					
Controlling interest	$	13,659	1,254	597	15,510
Noncontrolling interest		7,413	—	—	7,413
Total equity	$	21,072	1,254	597	22,923

As a result of the decrease in ownership percentage of Kompanion, unrestricted net assets of Mercy Corps changed as follows during the year ended June 30, 2015:

		Total	Controlling Interest	Non Controlling Interest
Balance, June 30, 2014	$	53,030	53,030	—
Operating and nonoperating revenues and expenses, net		5,228	5,782	(554)
Sale of Kompanion shares to noncontrolling shareholders		8,045	—	8,045
Controlling interest gain on sale to noncontrolling shareholders		—	78	(78)
Balance, June 30, 2015	$	66,303	58,890	7,413

Mercy Corps continues to establish new entities to invest in new technology, business models and social enterprises to provide transformational opportunities for overcoming poverty. The following entities are yet to have significant activities, but are controlled by Mercy Corps and have therefore been consolidated as of June 30, 2015:

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 August of 2012 to establish a field office and operations in Egypt.

Yayasan Mercy Corps Indonesia was formed in February 2012 to further the mission in Indonesia.

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

Mercy Corps China Holdings, LLC was formed in 2013 to own a Chinese wholly owned foreign enterprise established under Chinese law to provide services in furtherance of the Mercy Corps mission.

Custom Clouds Public Benefit Corporation was formed in 2013 to promote the creation of economic and employment opportunities in developing countries by catalyzing sustainable small business growth through the provision of Web marketing and other cloud based solutions and services. The entity ceased operations in June 2015.

MC Morocco, LLC was formed in August 2014 to develop, implement, and manage projects in the areas of economic development, youth and civil society.

MICRA Indonesia was formed in 2007 to support microfinance activities through trainings, workshops and rating and research in the microfinance sector.

Total combined net assets of the eight entities listed above are $410 and ($77) as of June 30, 2015 and 2014, respectively.

(18) Subsequent Events

The Organization has performed an evaluation of subsequent events through November 4, 2015, which is the date the consolidated financial statements were available to be issued and have determined there are no additional disclosures needed.

In July 2015, Mercy Corps and Mercy Corps Scotland entered into a·new governance agreement that supplements the MOU currently in place and still in effect. Mercy Corps will also be known as Mercy Corps Global (MCG) and Mercy Corps Scotland will be known as Mercy Corps Europe (MCE). MCG amended its Articles and Bylaws to become a member corporation. MCE was already a member company, limited by guarantee. Under the revised structure that went into effect July 1, 2015 the same 9 individuals who are the members of MCE are also the members of MCG. The members have the power and responsibility to appoint the directors of both MCE and MCG. Accordingly, MCG and MCE are under common control, and will be consolidated in subsequent periods. This consolidated group will be known as Mercy Corps.

MERCY CORPS AND AFFILIATES

Supplemental Schedules – Mercy Corps

June 30, 2015
(with comparative information as of and for the year ended June 30, 2014)

The following schedules I and II are a presentation of the financial position and financial activities and changes in net assets for Mercy Corps on an unconsolidated basis. These amounts are included as part of the consolidated financial statements of Mercy Corps and affiliates as of and for the fiscal year ended June 30, 2015.

Schedule I

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Statement of Financial Position

June 30, 2015
(with comparative financial information as of June 30, 2014)

Assets		2015	2014
Cash	$	52,892	55,056
Grants and accounts receivable		20,603	18,129
Due from unconsolidated affiliates, net		25,838	13,152
Inventories		6,890	5,833
Prepaid expenses, deposits, and other assets		6,229	5,641
Pledges receivable, net		1,259	2,512
Notes receivable		—	400
Investments		9,984	8,835
Program-related investments		18,829	18,870
Property and equipment, net		33,756	7,493
Total assets	$	176,280	135,921
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	35,441	31,398
Deferred revenue		39,722	37,385
Long-term debt		33,136	306
Total liabilities		108,299	69,089
Net assets:			
Unrestricted		43,210	45,832
Temporarily restricted		24,771	21,000
Total net assets		67,981	66,832
Total liabilities and net assets	$	176,280	135,921

See accompanying independent auditors' report.

Schedule II

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Statement of Activities

Year ended June 30, 2015
(with comparative financial information for the year ended June 30, 2014)

	Unrestricted	Temporarily restricted	Totals	2014 Total
Operating support and revenue:				
Public support and revenue:				
U.S. Government grants	$ 217,785	—	217,785	171,160
Material aid	16,149	—	16,149	12,406
Material aid – monetized	—	—	—	9,924
Total public support and revenue	233,934	—	233,934	193,490
Private support and other multi-lateral revenue:				
Other grants	53,114	—	53,114	45,516
Contributions	22,650	17,691	40,341	35,683
Gift in kind – services	363	—	363	438
Total private support and revenue	76,127	17,691	93,818	81,637
Other revenue:				
Interest income	207	—	207	240
Other revenue	1,902	—	1,902	603
Total other revenue	2,109	—	2,109	843
Net assets released from restriction	13,920	(13,920)	—	—
Total operating support and revenue	326,090	3,771	329,861	275,970
Operating expenses:				
Program services:				
Humanitarian assistance – relief	116,303	—	116,303	86,172
Humanitarian assistance – recovery	15,033	—	15,033	15,678
Livelihood/economic development	61,043	—	61,043	48,523
Civil society and education	44,006	—	44,006	46,267
Health	38,696	—	38,696	33,474
Total program services	275,081	—	275,081	230,114
Supporting services:				
General and administrative	35,434	—	35,434	32,588
Resource development	14,297	—	14,297	14,787
Total supporting services	49,731	—	49,731	47,375
Total operating expenses	324,812	—	324,812	277,489
Change in net assets from operations	1,278	3,771	5,049	(1,519)
Nonoperating revenue and losses, net:				
Foreign currency exchange loss, net	(1,660)	—	(1,660)	(1,418)
Realized and unrealized gain (loss) on investments, net	(126)	—	(126)	1,562
Loss on dissolution and transfer of building entities	(2,114)	—	(2,114)	—
Total nonoperating revenue and losses, net	(3,900)	—	(3,900)	144
Change in net assets	(2,622)	3,771	1,149	(1,375)
Net assets at beginning of year	45,832	21,000	66,832	68,207
Net assets at end of year	$ 43,210	24,771	67,981	66,832

See accompanying independent auditors' report.