MERCY CORPS AND AFFILIATES

Consolidated Financial Statements
and Supplemental Schedules

June 30, 2013

(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 Auditor's 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, 2013, 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 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 audits. We conducted our audits 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 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, 2013, and the results of its activities, cash flows, and functional expenses for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

The accompanying 2012 summarized comparative information has been derived from Mercy Corps and affiliates' 2012 financial statements, and in our report dated November 12, 2012, we expressed an unmodified opinion on those financial statements.

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, 2013

MERCY CORPS AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2013

With comparative financial information as of June 30, 2012

(In thousands)

Assets		**2013**	**2012**
Cash	$	63,621	58,835
Financial instruments and derivatives, net		4,117	2,893
Grants and accounts receivable		11,679	11,293
Microfinance loans receivable		77,042	64,795
Due from unconsolidated affiliates, net		8,864	8,113
Inventories		7,503	7,001
Prepaid expenses, deposits, and other assets		6,720	7,801
Pledges receivable, net		955	2,519
Notes receivable		10,988	11,067
Investments		3,871	3,587
Program-related investments		6,562	6,489
Property and equipment, net		41,915	42,879
Total assets	$	243,837	227,272
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	28,748	25,263
Financial instruments, derivatives, net		392	606
Deferred revenue		38,834	32,911
Subsidiary and subordinated debt for microfinancing activities		74,228	60,724
Long-term debt		24,330	25,358
Total liabilities		166,532	144,862
Net assets:			
Unrestricted		57,071	57,500
Temporarily restricted		20,214	24,890
Permanently restricted		20	20
Total net assets		77,305	82,410
Total liabilities and net assets	$	243,837	227,272

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2013

With summarized financial information for the year ended June 30, 2012

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals	2012 Total
Operating support and revenue:					
Public support and revenue:					
Government grants	$ 159,667	—	—	159,667	153,289
Material aid	11,099	—	—	11,099	7,156
Material aid – monetized	9,200	—	—	9,200	11,757
Total public support and revenue	179,966	—	—	179,966	172,202
Private support and revenue:					
Other grants	32,370	—	—	32,370	34,773
Contributions	19,054	5,966	—	25,020	26,804
Gifts in kind-services	672	—	—	672	1,089
Total private support and revenue	52,096	5,966	—	58,062	62,666
Other revenue:					
Interest income	27,468	—	—	27,468	31,351
Other revenue	1,825	—	—	1,825	2,254
Total other revenue	29,293	—	—	29,293	33,605
Net assets released from restriction	10,642	(10,642)	—	—	—
Total operating support and revenue	271,997	(4,676)	—	267,321	268,473
Operating expenses:					
Program services:					
Humanitarian assistance – relief	62,074	—	—	62,074	45,029
Humanitarian assistance – recovery	16,313	—	—	16,313	36,874
Livelihood/economic development	83,952	—	—	83,952	83,937
Civil society and education	43,900	—	—	43,900	44,672
Health	25,619	—	—	25,619	22,230
Total program services	231,858	—	—	231,858	232,742
Supporting services:					
General and administrative	28,730	—	—	28,730	30,357
Resource development	11,485	—	—	11,485	11,179
Total supporting services	40,215	—	—	40,215	41,536
Total operating expenses	272,073	—	—	272,073	274,278
Change in net assets from operations	(76)	(4,676)	—	(4,752)	(5,805)
Nonoperating revenue and losses net:					
Foreign currency exchange loss, net	(932)	—	—	(932)	(731)
Realized and unrealized gain on investments, net	536	—	—	536	522
Unrealized gain on swap agreements	214	—	—	214	1,806
Other nonoperating (decrease) increase in net assets	(171)	—	—	(171)	167
Total nonoperating revenue and losses net	(353)	—	—	(353)	1,764
Change in net assets	(429)	(4,676)	—	(5,105)	(4,041)
Net assets at beginning of year	57,500	24,890	20	82,410	86,451
Net assets at end of year	$ 57,071	20,214	20	77,305	82,410

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended June 30, 2013

With comparative financial information for the year ended June 30, 2012

(In thousands)

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	(5,105)	(4,041)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		4,332	4,056
Provision for loan losses		559	329
Net realized and unrealized loss on investments		429	208
Unrealized gain on interest rate and foreign exchange swaps		(214)	(1,806)
Loss on disposition of fixed assets		226	730
Changes in assets and liabilities:			
Grants and accounts receivable		(259)	8,964
Due from unconsolidated affiliates, net		(751)	(5,277)
Inventories		(502)	(1,271)
Prepaid expenses, deposits, and other assets		(140)	(3,661)
Pledges receivable		1,564	(217)
Accounts payable and accrued liabilities		2,819	(13,194)
Deferred revenue		5,923	4,710
Net cash provided by (used in) operating activities		8,881	(10,470)
Cash flows from investing activities:			
Purchase of investments		(252)	(2,524)
Issuances of microfinance loans, net		(12,806)	(7,876)
Acquisition of property and equipment		(3,594)	(7,626)
Disposition of entities		—	94
Net cash used in investing activities		(16,652)	(17,932)
Cash flows from financing activities:			
Repayment of notes receivable		81	82
Proceeds from borrowings by microfinance entities		41,251	30,751
Repayments on borrowings of microfinance entities		(27,747)	(20,874)
Repayments on long-term debt		(1,028)	(1,354)
Net cash provided by financing activities		12,557	8,605
Net increase (decrease) in cash and cash equivalents		4,786	(19,797)
Cash at beginning of year		58,835	78,632
Cash at end of year	$	63,621	58,835
Supplemental disclosures:			
Interest paid during the year	$	7,028	8,628
Noncash contributions		11,771	8,244

See accompanying notes to consolidated financial statements.

MERCY CORPS AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended June 30, 2013

With summarized financial information for the year ended June 30, 2012

(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	2012 Total
Personnel	$ 11,407	3,694	18,708	12,813	6,111	52,733	19,354	5,676	77,763	78,154
Professional services	2,798	630	2,588	3,030	1,146	10,192	583	1,109	11,884	8,459
Professional services – in kind	—	—	168	—	—	168	504	—	672	1,089
Travel and vehicle expense	2,362	607	3,608	2,018	949	9,544	3,365	407	13,316	14,382
Office and occupancy expense	2,133	473	2,995	1,892	1,069	8,562	2,112	2,729	13,403	13,594
Other operating expenses	197	84	400	—	17	698	464	1,537	2,699	3,543
Material aid	3,737	—	—	—	7,257	10,994	106	—	11,100	7,156
Materials and supplies	18,967	508	3,988	2,487	1,061	27,011	—	—	27,011	25,135
Construction, nonowned assets	1,564	586	4,409	2,532	2,749	11,840	—	—	11,840	14,376
Training, monitoring, and evaluation	1,299	540	3,276	3,465	739	9,319	23	—	9,342	6,007
Subgrants	17,122	9,068	12,557	15,097	4,204	58,048	—	—	58,048	65,573
Microfinancing activity	—	—	23,739	—	—	23,739	—	—	23,739	21,003
Depreciation	488	123	1,641	566	317	3,135	1,154	24	4,313	4,056
Interest expense	—	—	5,875	—	—	5,875	1,065	3	6,943	11,751
	$ 62,074	16,313	83,952	43,900	25,619	231,858	28,730	11,485	272,073	274,278

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' Vision for Change, based on the Universal Declaration of Human Rights, is that peaceful, secure, and just societies emerge when the private, public, and civil society sectors are able to interact with accountability, inclusive participation, and mechanisms for peaceful change.

Mercy Corps' Strategy is to work in countries in transition, where communities are suffering and recovering from disaster, conflict, or economic collapse. Mercy Corps' experience demonstrates that during these times of turmoil and tragedy, there exists the possibility for positive change. Mercy Corps adds its greatest value as an international relief and development agency by supporting those kernels of positive change with community-led and market-driven action.

Mercy Corps operates programs in more than 42 countries throughout the world. Mercy Corps classifies its program activities into five major types: Humanitarian Assistance – Relief, Humanitarian Assistance – Recovery, Livelihood and Economic Development, Civil Society and Education, and Health.

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 Headquarters Manager, Inc.
Mercy Corps Headquarters Building, LLC
Mercy Corps Headquarters Master Tenant Manager, LLC
Mercy Corps Headquarters Master Tenant, LLC
Kompanion Financial Group Microfinance Closed Joint Stock Company
Kompanion Development Institution
Asian Credit Public Fund
Asian Credit Fund, Microcredit Organization, LLC
Hunchun Association for Poverty Alleviation in the Tumen River Area
Yanbian Association for Poverty Alleviation in the Tumen River Area
MICRA Philippines Foundation, Inc.
Yayasan Microfinance Innovation & Resource Center Foundation
Mercy Enterprise Corporation (MEC) d/b/a Mercy Corps Northwest
Mercy Corps India
Mercy Corps International, Jordan
Yayasan Mercy Corps Indonesia
Mercy Corps Egypt, 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.
- Permanently restricted net assets – net assets that are subject to donor-imposed restrictions that are maintained in perpetuity by the Organization.

(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, fair value of investments, 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 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 $672 and $1,089 of legal services were provided pro bono to the Organization in 2013 and 2012, 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 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 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.

Mercy Corps applies Accounting Standards Codification (ASC) Topic 740, *Accounting for Income Taxes* (ASC 740), related to uncertainties in income taxes, which prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in the consolidated financial statements tax positions taken or expected to be taken on a tax return.

The Organization believes it has not taken any significant uncertain tax positions, and accordingly, the adoption of the applicable Sections of ASC 740 do not have a significant impact on the Organization's consolidated financial statements.

(h) Cash

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

Certain cash accounts are maintained as separate accounts that represent cash held in trust or as collateralized cash. These types of accounts totaled $2,589 and $2,874 at June 30, 2013 and 2012, 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) Derivative Financial Instruments

Derivative financial instruments include foreign currency swaps held by the consolidated microfinance institutions, and an interest rate swap on the building debt. 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. Changes in fair value of the derivatives held by the microfinance subsidiaries are included in program expense.

(k) 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).

(l) Fair Value of Financial Instruments

The carrying value of cash, grants and other receivables, loans receivable and payable approximates their estimated fair value as of June 30, 2013 and 2012, due to the relative short maturities of these instruments. 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. 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, including the relationship of these instruments to the various tax credit exchange programs and the international microfinance industry. 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.

(m) 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.

(Continued)

(n) 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 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 only shareholder of Kompanion.

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.

Asian Credit Fund, Microcredit Organization, Limited Liability Company (ACF MCO LLC) was incorporated in 2007 as a for-profit commercial microcredit organization in the Republic of Kazakhstan and is wholly owned by ACF. In 2009, ACF MCO LLC was reregistered with Mercy Corps becoming a Participant, owning 60% of the capital, and ACF owning 40%. As Mercy Corps is the Founder of ACF and has a controlling interest, Mercy Corps controls ACF MCO LLC.

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 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 its loans to assess impairment on a regular basis. A loan is considered impaired when, based on current information, it is probable that the Organization 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.

(o) 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. Revenue earned from monetization proceeds is recognized in the consolidated statements of activities as "Material aid – monetized."

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.

(p) 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.

(In thousands)

(q) 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.

(r) Reclassifications

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

(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, 2013 consisted of the following:

	Level 1	Level 2	Total
Assets:			
Investments:			
Mutual funds – equity	$ 1,421	—	1,421
Mutual funds – fixed income	2,097	—	2,097
Common stocks	353	—	353
Total investments	3,871	—	3,871
Derivative financial instruments:			
Foreign currency swap arrangements	—	4,117	4,117
Total	$ 3,871	4,117	7,988
Liabilities:			
Derivative financial instruments:			
Interest rate swaps	$ —	392	392
Total	$ —	392	392

(In thousands)

Fair value measurements for the assets measured at fair value on a recurring basis at June 30, 2012 consisted of the following:

	Level 1	Level 2	Total
Assets:			
Investments:			
Mutual funds – equity	$ 1,328	—	1,328
Mutual funds – fixed income	1,956	—	1,956
Common stocks	303	—	303
Total investments	3,587	—	3,587
Derivative financial instruments:			
Foreign currency swap arrangements	—	2,893	2,893
Total	$ 3,587	2,893	6,480
Liabilities:			
Derivative financial instruments:			
Interest rate swaps	$ —	606	606
Total	$ —	606	606

Mercy Corps had no Level 3 assets or liabilities measured at fair value at June 30, 2013 and 2012.

(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 0.15% to 1.41% to the present value of expected future cash flows.

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

	2013	2012
One year or less	$ 621	1,805
Between one year and five years	343	726
	964	2,531
Less:		
Discount	(9)	(12)
Pledges receivable, net	$ 955	2,519

(In thousands)

(5) Notes Receivable

At June 30, 2013 and 2012, notes receivable comprise the following:

		2013	2012
A note receivable from a U.S. corporation, interest at prime less 2.00% and at a guaranteed minimum 3.00% and maximum 6.00%, matures January 17, 2013.	$	—	80
A note receivable from Mercy Corps Investment Fund, LLC, interest at 4.75%, matures April 1, 2015		10,988	10,987
Total notes receivable	$	10,988	11,067

As discussed further at note 9, Mercy Corps Investment Fund, LLC, is a third-party entity controlled by U.S. Bank, and therefore, it is not consolidated into the Organization's financials.

(6) Microfinance Loans Receivable

Microcredit 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 real estate or business assets.

Microfinance loans receivable were concentrated in the following countries as of June 30, 2013 and 2012:

		2013	2012
China	$	1,213	1,152
Kazakhstan		4,979	4,125
Kyrgyzstan		73,860	62,186
Other		766	602
		80,818	68,065
Less loan loss reserves		(3,776)	(3,270)
Microfinance loans receivable, net	$	77,042	64,795

The Organization adopted Accounting Standards Update (ASU) No. 2010-20, *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (Topic 10), effective June 30, 2012. This ASU is intended to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. This ASU amended existing disclosures and provides additional disclosures about its financing receivables on a disaggregated basis.

(Continued)

(In thousands)

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, 2013 are presented as follows:

		2013	2012
Loan loss reserve, beginning	$	(3,270)	(3,303)
Adjustments to reserve		(1,176)	(256)
Writeoff		671	351
Recovery		(1)	(62)
Loan loss reserve, ending	$	(3,776)	(3,270)

The reserves noted above can be attributed to loans that are past due or current as follows at June 30, 2013:

		Current	Past due	Total
Microfinance loans receivable	$	80,473	345	80,818
Less loan loss reserves		(3,478)	(298)	(3,776)
Microfinance loans receivable, net	$	76,995	47	77,042

(7) Property and Equipment

		2013	2012
Land	$	3,815	3,815
Buildings and leasehold improvements		37,264	36,943
Vehicles		10,427	8,858
Furniture, fixtures, and equipment		7,406	6,432
Property and equipment		58,912	56,048
Less accumulated depreciation and amortization		(16,997)	(13,169)
Property and equipment, net	$	41,915	42,879

(In thousands)

(8) Program-Related Investments

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

		2013	2012
PT Bank Andara, Indonesia	$	5,323	4,700
TenGer Financial Group LLC (previously, XAC–GE LLC), Mongolia		624	624
Kompanion Invest		348	478
MICRO		222	616
MEVCF		39	33
Other		6	38
	$	6,562	6,489

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, 2013 and 2012, the Organization owned 22.1% and 26.15%, respectively, 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:

		2013	2012
Total assets	$	133,269	95,742
Total liabilities		(109,081)	(77,766)
Total equity	$	24,188	17,976
Total operating revenue	$	14,542	8,490
Total operating expense		(14,123)	(11,201)
Nonoperating gain		177	38
Net gain (loss)	$	596	(2,673)

TenGer Financial Group, LLC (TenGer), formerly, XAC-GE LLC, 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, 2013 and 2012, the Organization owned 7.5% and 8.4% of the outstanding shares of TenGer, respectively. 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 Financial Group Microfinance CJSC (Kompanion), a wholly owned subsidiary of Mercy Corps. Kompanion does not consolidate Kompanion Invest, 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. The entity is organized to allow ownership of the various legal components at different levels. At June 30, 2013 and 2012, Mercy Corps owned 50% 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 companies in the West Bank and Gaza by providing seed and early stage financing to small and medium sized businesses in the information and communications technology sectors. At June 30, 2013 and 2012, 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 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) is the investor for the NMTC program. MCIF is funded by a commercial loan, a loan from Mercy Corps Foundation and equity investment from a private investor. As the NMTC program investor, MCIF is 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). Mercy Corps does not control or have an interest in MCIF or in the sub-CDEs, and accordingly, MCIF and the sub-CDEs are not consolidated in Mercy Corps' consolidated financial statements. Mercy Corps guarantees MCIF's commercial loan. The guaranty requires that Mercy Corps set aside funds monthly into a bank-controlled account, the balance of which is reported as a deposit on Mercy Corps' consolidated statement of financial position.

(In thousands)

Mercy Corps Headquarters Building, LLC's (Building) sole purpose is to function as a QALICB. Building is 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).

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

		2013	2012
U.S. Bank Sub-CEDE NCF, LLC: Interest rate of LIBOR+1.9% (2.09% at June 30, 2013 and 2.15% at June 30, 2012) 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	9,801
U.S. Bank Sub-CDE III, LLC: Interest rate of LIBOR+1.9% (2.09% at June 30, 2013 and 2.15% at June 30, 2012) 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	7,275
U.S. Bank Sub-CDE XX, LLC: Interest rate of LIBOR+1.9% (2.09% at June 30, 2013 and 2.15% at June 30, 2012) 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	6,930
Meyer Memorial Trust: Interest rate is fixed at 2.00%. The balance was paid in April 2013.		—	500
Eastbank: Interest rate of Prime+1.00% (4.25% at June 30, 2012). The balance was paid in November 2012.		—	509
Portland Development Commission: Interest is variable (1.00% at June 30, 2013 and 2012), payable in monthly principal and interest installments, with a balloon payment due in March 2018, secured by real property		324	343
	$	24,330	25,358

(In thousands)

Future maturities of long-term debt outstanding at June 30, 2013 are as follows:

Year ended:		
2014	$	14
2015		14
2016		15
2017		16
2018		265
Thereafter		24,006
	$	24,330

(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 a Base Rate (higher of Prime, LIBOR plus 1.50%, or Fed Funds Rate plus 1.50%) or LIBOR plus 2.15%, depending on the term selected by the Organization and a fee of 0.50% on the unused portion of the line of credit. The line is collateralized by a security interest in the Organization’s nonbuilding assets and was renewed on July 1, 2013 and expires on March 1, 2015. As of June 30, 2013 and 2012, the Organization has no outstanding borrowings under the line of credit.

(b) Covenants

The credit agreements with U.S. Bank, 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.

(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, 2013 were as follows:

Year ended:	
2014	$ 29,323
2015	39,136
2016	5,228
2017	2
2018	100
Thereafter	439
	$ 74,228

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

	2013	2012
Mercy Enterprise Corporation	$ 1,002	781
Kompanion	66,396	53,759
ACF, MCO, LLC	6,830	6,181
MICRA, Philippines	—	3
	$ 74,228	60,724

(In thousands)

Interest rates of subsidiary borrowings at June 30, 2013 are as follows:

Subsidiary	Lender	Interest rates		Balance
Mercy Enterprise Corporation	Various	0.00% – 2.00%	$	1,002
Kompanion	BlueOrchard	6.90% – 7.00%		5,989
Kompanion	Deutsche Bank	7.00% – 10.50%		7,556
Kompanion	Demir Kyrgyz Intl Bank	16.00%		1,439
Kompanion	EBRC	7.08% – 9.08%		5,283
Kompanion	Frontiers	16.00%		822
Kompanion	Incofin	6.75% – 7.50%		9,386
Kompanion	Oikocredit	10.50%		1,634
Kompanion	Responsibility	7.25% – 7.50%		10,495
Kompanion	Symbiotics	6.50% – 16.50%		5,979
Kompanion	Triodos	7.25%		5,990
Kompanion	SNS Institutional Fund	6.50%		5,998
Kompanion	ICF	14.25%		5,826
ACF, MCO, LLC	ATF Bank	7.00% – 7.30%		1,098
ACF, MCO, LLC	Frontiers	15.00% – 18.89%		781
ACF, MCO, LLC	Deutsche Bank	5.00% – 11.67%		1,184
ACF, MCO, LLC	Taib Bank	3.00%		1,449
ACF, MCO, LLC	Various	3.00% – 18.89%		2,317
			$	74,228

The above debt also includes subordinated debts of $10,245 and $7,879, at June 30, 2013 and 2012, 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 2014 to 2018; 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, 2013 and 2012:

		2013	2012
Organization programs	$	12,969	17,508
Headquarters building		7,245	7,382
	$	20,214	24,890

(Continued)

(In thousands)

(12) Permanently Restricted Net Assets

The Organization applies ASC Subtopic 958-205, *Presentation of Financial Statements* in accounting for their permanently restricted net assets. The Organization has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The earnings on the donor-restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with standard of prudence prescribed by UPMIFA. As of June 30, 2013 and 2012, the Organization had one donor-restricted endowment of $20.

(13) Obligations under Operating Leases

The Organization leases office space under operating leases that require payments through 2015. The leases contain annual escalation clauses at fixed percentages or based on the consumer price index. At June 30, 2013, the Organization's aggregate minimum annual operating lease commitments are as follows:

2014	$	438
2015		147
	$	585

Total rent expense was $4,812 and $4,586 for the fiscal years ended June 30, 2013 and 2012, respectively. A majority of this rent expense relates to facilities that are not under a formal lease agreement.

(14) 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, 2013 and 2012, the Organization recorded a contingent liability of $1,001 and $936, 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.

(15) 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, 2013 and 2012 amounted to $1,146 and $1,095, 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, 2013 and 2012 amounted to $283 and $280, 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.

(16) Related Parties

Mercy Corps Scotland (MCS) is a nonprofit corporation registered in the United Kingdom. MCS has a separate board of directors and controls and manages its own programs. MCS possesses legal and fiscal responsibility and final oversight 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, 2013 and 2012, the Organization is not aware of any material known or contingent donor disallowances arising from program activities carried out by MCS.

(In thousands)

As of June 30, 2013 and 2012, the net amount due from MCS and other affiliates was $8,864 and $8,113, respectively.

(17) 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 deposits of 35.4% and 35.6%, of cash in foreign locations, of which 11.1% and 10.6% was held by the Organization's MFI's, as of June 30, 2013 and 2012, respectively.

(18) 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.

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

		Kompanion Financial Group, LLC	Asian Credit Fund, LLC	PATRA's	MICRO Indonesia	Total
Total operating revenue	$	23,939	2,765	129	269	27,102
Total operating expense		(24,982)	(2,507)	(110)	(330)	(27,929)
Nonoperating gain (loss)		(444)	2	24	(38)	(456)
Net gain (loss)	$	(1,487)	260	43	(99)	(1,283)
Total assets	$	86,290	8,417	1,231	609	96,547
Total liabilities		(71,396)	(7,590)	(34)	(420)	(79,440)
Total equity	$	14,894	827	1,197	189	17,107

(Continued)

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, 2013:

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.

Total combined net assets of the four entities listed above are $50 and $48 as of June 30, 2013 and 2012, respectively.

(19) Subsequent Events

The Organization has performed an evaluation of subsequent events through November 4, 2013, which is the date the consolidated financial statements were available to be issued.

MERCY CORPS AND AFFILIATES

Supplemental Schedules – Mercy Corps

June 30, 2013

With comparative information as of and for the year ended June 30, 2012

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 for the fiscal year ended June 30, 2013.

Schedule I

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Statement of Financial Position

June 30, 2013

With comparative financial information as of June 30, 2012

Assets		**2013**	**2012**
Cash	$	54,008	48,738
Grants and accounts receivable		13,570	12,858
Microfinance loans receivable		—	41
Due from unconsolidated affiliates, net		14,533	14,438
Inventories		7,503	7,001
Prepaid expenses, deposits, and other assets		4,440	5,050
Pledges receivable, net		955	2,519
Notes receivable		—	80
Investments		8,085	7,799
Program-related investments		18,922	19,120
Property and equipment, net		8,376	7,992
Total assets	$	130,392	125,636
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	24,473	21,394
Deferred revenue		37,388	31,445
Long-term debt		324	1,352
Total liabilities		62,185	54,191
Net assets:			
Unrestricted		47,993	47,555
Temporarily restricted		20,214	24,890
Total net assets		68,207	72,445
Total liabilities and net assets	$	130,392	126,636

See accompanying independent auditors’ report.

Schedule II

MERCY CORPS AND AFFILIATES

Supplemental Schedule – Mercy Corps Statement of Activities

Year ended June 30, 2013

With comparative financial information for the year ended June 30, 2012

	Unrestricted	Temporarily restricted	Totals	2012 Total
Operating support and revenue:				
Public support and revenue:				
Government grants	$ 157,913	—	157,913	151,449
Material aid	11,099	—	11,099	7,156
Material aid – monetized	9,200	—	9,200	11,757
Total public support and revenue	178,212	—	178,212	170,362
Private support and revenue:				
Other grants	31,851	—	31,851	34,511
Contributions	18,772	5,966	24,738	26,699
Gift in kind services	504	—	504	968
Total private support and revenue	51,127	5,966	57,093	62,178
Other revenue:				
Interest income	369	—	369	397
Other revenue	1,417	—	1,417	1,390
Total other revenue	1,786	—	1,786	1,787
Net assets released from restriction	10,642	(10,642)	—	
Total operating support and revenue	241,767	(4,676)	237,091	234,327
Operating expenses:				
Program services:				
Humanitarian assistance – relief	62,074	—	62,074	45,029
Humanitarian assistance – recovery	16,364	—	16,364	36,873
Livelihood/economic development	53,559	—	53,559	51,745
Civil society and education	44,059	—	44,059	44,820
Health	25,619	—	25,619	22,230
Total program services	201,675	—	201,675	200,697
Supporting services:				
General and administrative	28,004	—	28,004	29,477
Resource development	11,707	—	11,707	11,385
Total supporting services	39,711	—	39,711	40,862
Total operating expenses	241,386	—	241,386	241,559
Change in net assets from operations	381	(4,676)	(4,295)	(7,232)
Noperating revenue and expenses, net:				
Foreign currency exchange loss, net	(479)	—	(479)	(543)
Realized and unrealized gain on investments, net	536	—	536	6,280
Total nonoperating revenue and expenses, net	57	—	57	5,737
Change in net assets	438	(4,676)	(4,238)	(1,495)
Net assets at beginning of year	47,555	24,890	72,445	73,940
Net assets at end of year	$ 47,993	20,214	68,207	72,445

See accompanying independent auditors' report.