

Mennonite Disaster Service

Financial Report

July 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mennonite Disaster Service
Lititz, Pennsylvania

We have audited the accompanying financial statements of Mennonite Disaster Service (a nonprofit organization), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the twelve and eight month periods then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Mennonite Disaster Service as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for the twelve and eight month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Simon Lever LLC

Simon Lever LLC
Lititz, PA

November 6, 2020

FINANCIAL STATEMENTS

Mennonite Disaster Service

STATEMENTS OF FINANCIAL POSITION
July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
ASSETS		
Cash and cash equivalents	1,414,215	842,256
Reimbursements receivable	392	111,856
Promises to give	187,500	2,460,000
Note receivable		281,740
Investments	15,263,568	14,851,604
Property and equipment, less accumulated depreciation of 2020-\$4,356,213; 2019-\$3,696,420	4,883,983	5,176,808
Other assets	270,217	266,493
Collection item (Note 9)		
<u>TOTAL ASSETS</u>	<u>22,019,875</u>	<u>23,990,757</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	46,544	83,392
Advances	113,648	9,900
Accrued expenses	232,030	181,724
Custodian accounts	424,447	263,814
Total Liabilities	<u>816,669</u>	<u>538,830</u>
NET ASSETS		
Without donor restrictions:		
Designated by board action	3,243,553	3,345,850
Undesignated	13,763,467	12,247,165
Total net assets without donor restrictions	<u>17,007,020</u>	<u>15,593,015</u>
With donor restrictions	<u>4,196,186</u>	<u>7,858,912</u>
Total Net Assets	<u>21,203,206</u>	<u>23,451,927</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>22,019,875</u>	<u>23,990,757</u>

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENT OF ACTIVITIES
Twelve Months Ended July 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Without donor restrictions	4,718,976		4,718,976
Bequests and estates	541,985		541,985
With donor restrictions		1,154,338	1,154,338
Total Contributions	<u>5,260,961</u>	<u>1,154,338</u>	<u>6,415,299</u>
Investment income	918,583		918,583
Gain on sale of property and equipment	32,043		32,043
Other income	72,102		72,102
Net assets released from restrictions	<u>4,817,064</u>	<u>(4,817,064)</u>	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>11,100,753</u>	<u>(3,662,726)</u>	<u>7,438,027</u>
EXPENSES			
Program			
Disaster recovery	7,496,864		7,496,864
Volunteer development	537,963		537,963
Total Program Expenses	<u>8,034,827</u>		<u>8,034,827</u>
Supporting Activities	1,319,270		1,319,270
Fundraising	<u>332,651</u>		<u>332,651</u>
TOTAL EXPENSES	<u>9,686,748</u>		<u>9,686,748</u>
Changes in Net Assets	1,414,005	(3,662,726)	(2,248,721)
Net Assets at Beginning of Year	<u>15,593,015</u>	<u>7,858,912</u>	<u>23,451,927</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>17,007,020</u>	<u>4,196,186</u>	<u>21,203,206</u>

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENT OF ACTIVITIES
Eight Months Ended July 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Without donor restrictions	3,196,077		3,196,077
Bequests and estates	211,174		211,174
With donor restrictions		4,118,357	4,118,357
Total Contributions	<u>3,407,251</u>	<u>4,118,357</u>	<u>7,525,608</u>
Investment income	945,958		945,958
Gain on sale of property and equipment	10,363		10,363
Other income	53,749		53,749
Net assets released from restrictions	<u>3,138,446</u>	<u>(3,138,446)</u>	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>7,555,767</u>	<u>979,911</u>	<u>8,535,678</u>
EXPENSES			
Program			
Disaster recovery	4,422,881		4,422,881
Volunteer development	375,072		375,072
Total Program Expenses	<u>4,797,953</u>		<u>4,797,953</u>
Supporting Activities	902,408		902,408
Fundraising	<u>188,127</u>		<u>188,127</u>
TOTAL EXPENSES	<u>5,888,488</u>		<u>5,888,488</u>
Changes in Net Assets	1,667,279	979,911	2,647,190
Net Assets at Beginning of Year	<u>13,925,736</u>	<u>6,879,001</u>	<u>20,804,737</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>15,593,015</u>	<u>7,858,912</u>	<u>23,451,927</u>

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENTS OF FUNCTIONAL EXPENSES
Twelve Months Ended July 31, 2020 and Eight Months Ended July 31, 2019

	Twelve Months Ended July 31, 2020				Total Functional Expenses
	Program- Disaster Recovery	Program- Volunteer Development	Supporting Activities	Fundraising Activities	
	\$	\$	\$	\$	
Project site expenses					
Volunteer support	1,476,796				1,476,796
Site occupancy	284,400				284,400
Vehicle operations	1,225,393	7,301	9,262		1,241,956
Project start up/close down	114,328				114,328
Project supplies	18,250				18,250
Project equipment	149,685				149,685
Client materials	2,864,687				2,864,687
Volunteer travel	332,874				332,874
Volunteer development		76,236			76,236
Salaries and benefits	702,374	385,333	642,007	184,685	1,914,399
Occupancy	121,833	20,110	135,902	29,512	307,357
Administration	97,276	37,687	433,740	7,382	576,085
Communications	108,968	11,296	47,582	68,696	236,542
Fundraising				42,376	42,376
Board related			50,777		50,777
TOTAL	7,496,864	537,963	1,319,270	332,651	9,686,748

	Eight Months Ended July 31, 2019				Total Functional Expenses
	Program- Disaster Recovery	Program- Volunteer Development	Supporting Activities	Fundraising Activities	
	\$	\$	\$	\$	
Project site expenses					
Volunteer support	467,673				467,673
Site occupancy	292,100				292,100
Vehicle operations	832,883	5,182	5,787		843,852
Project start up/close down	84,733				84,733
Project supplies	16,587				16,587
Project equipment	174,735				174,735
Client materials	1,512,331				1,512,331
Volunteer travel	361,997				361,997
Volunteer development		64,066			64,066
Salaries and benefits	435,933	247,593	417,134	99,266	1,199,926
Occupancy	71,519	14,060	83,360	14,065	183,004
Administration	77,726	40,098	323,188	7,442	448,454
Communications	94,664	4,073	24,601	45,919	169,257
Fundraising				21,435	21,435
Board related			48,338		48,338
TOTAL	4,422,881	375,072	902,408	188,127	5,888,488

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENTS OF CASH FLOWS
Twelve Months Ended July 31, 2020 and Eight Months Ended July 31, 2019

	2020	2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	(2,248,721)	2,647,190
Noncash items included in changes in net assets:		
Depreciation	919,826	575,707
Gain on disposition of property and equipment	(32,043)	(10,363)
Realized loss on investments	20,584	27,980
Unrealized gain on investments	(524,752)	(650,012)
Change in assets and liabilities:		
Reimbursements receivable	111,464	(2,345)
Promises to give	2,272,500	(1,743,635)
Other assets	(3,724)	(200,569)
Accounts payable	(36,848)	(92,196)
Advances	103,748	(188,554)
Accrued expenses	50,306	43,122
Custodian accounts	160,633	(27,916)
Net Cash Provided by Operating Activities	792,973	378,409
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,128,062)	(2,706,328)
Proceeds from sale of investments	3,220,266	2,394,181
Purchase of property and equipment	(627,235)	(590,385)
Proceeds from sale of property and equipment	32,277	16,194
Collections on note receivable	281,740	3,294
Net Cash Used in Investing Activities	(221,014)	(883,044)
Net Change in Cash and Cash Equivalents	571,959	(504,635)
CASH AND CASH EQUIVALENTS		
Beginning	842,256	1,346,891
Ending	1,414,215	842,256

See Notes to Financial Statements

Mennonite Disaster Service

Notes To Financial Statements

Note 1 – Summary of Significant Accounting Policies

General – Mennonite Disaster Service (MDS) coordinates an organized response to disasters for the Mennonite and other related Anabaptist churches through its supporting organizations. MDS is made up of supporting organizations which include the five regions of MDS, each of which is made up of local units. In addition, those Anabaptist church conferences and denominations and related entities that provide resources or services to MDS and that are approved by the Board of Directors are supporting organizations.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all checking and savings accounts to be cash. All funds invested in money markets are recorded as investments.

Reimbursements Receivable – Reimbursements receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with organizations having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year-end will be immaterial.

Financing Receivables – Interest income on loans is recognized on an accrual basis. Accrued interest on loans, including impaired loans, that are contractually 90 days or more past due or when collection of interest appears doubtful is generally reversed and charged against interest income. Income is subsequently recognized only to the extent cash payments are received and the principal balance is expected to be recovered. Such loans are restored to an accrual status only if the loan is brought contractually current and the borrower has demonstrated the ability to make future payments of principal and interest.

The allowance for credit losses is maintained at an amount management deems adequate to cover inherent losses at the balance sheet date. The Organization evaluates each loan individually for collectability by considering whether it is probable that they will be unable to collect all amounts due according to the contractual terms of the loan agreements and whether it is probable that there would be an incurred loss in a group of loans with those characteristics. If either of these items are probable, an allowance or impairment is recorded through a charge to bad debt expense. Otherwise, no allowance is recorded and the receivable is recorded at its outstanding principal amount.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values. Unrealized gains and losses are included in the change in net assets.

Foreign Currency – Activity in currency other than U.S. dollars is recorded at the rate of exchange in effect at the time of transaction.

Mennonite Disaster Service

Notes To Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation. Expenditures that significantly add to productive capacity or useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is computed by the straight-line method at rates based on estimated service lives.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Mutual Aid Sharing Plan – The Organization is a member of a mutual aid sharing plan in which medical expenses are shared among the participating agencies once the agency retention has been reached (\$15,000 per covered person for the period ended July 31, 2020). The plan requires each agency to pay into a pool of reserve funds owned by the members. The reserve pool covers the next \$250,000 of any individual's claims that exceed the Organization's retention limit with stop loss protection for claims in excess of \$250,000. The total reserve fund owned by the Organization as of July 31, 2020 and 2019 was \$137,037 and \$125,540, respectively. Costs related to claims are expensed as incurred.

Long-Lived Assets – Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Collection Items – The collection items, which were acquired by contributions, are not recognized as assets on the balance sheet.

Net Assets – The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein consist of the following:

Net Assets without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. Net assets that have been designated by the board for specific purposes are included as net assets without donor restrictions.

Mennonite Disaster Service

Notes To Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Net Assets with Donor Restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Public Support and Revenue – Contributions received are recorded as support without donor restrictions unless they are restricted by donor-imposed stipulations. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit use of the donated assets. When a restriction expires, that is, when a stipulated restriction ends, or a purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions received by the Organization with the expectation that they will be transferred to an indicated beneficiary are not recorded as revenue or expense on the statement of activities. These contributions are forwarded to the indicated beneficiary in a timely manner.

Donated Materials and Services – Donated materials are reflected as contributions in the accompanying statements of activities at their estimated fair market value on the date received, and consist of vehicles, furniture, tools, and building materials. Donated materials amounted to \$1,100 and \$2,275 for the twelve months ended July 31, 2020 and eight months ended July 31, 2019, respectively.

Donated services are reflected in the financial statements at the fair value of the services received. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services amounted to \$20,137 and \$5,717 for the twelve months ended July 31, 2020 and eight months ended July 31, 2019, respectively.

In addition, the Organization receives a significant amount of donated services from unpaid volunteers who assist in program activities. No amounts for these services have been recognized in the statements of activities for the value of these donated services, because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – Mennonite Disaster Service is a corporation exempt from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has recognized in its determination letter both the Organization's exemption and that annual tax returns are not required to be filed. Therefore, the Organization has no tax return filing requirements with any regulatory agencies. As a result, there are no statutes of limitations in place for any potential income tax liabilities that could arise.

Mennonite Disaster Service

Notes To Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Pension Benefits – The Organization has a defined contribution plan which covers all employees after one year of qualifying service. The Organization contributes 3% of the employee's eligible compensation and matches up to 2%. For the twelve months ended July 31, 2020 and eight months ended July 31, 2019, the amount charged to expense for the Organization's pension plan was \$58,928 and \$32,225, respectively.

Promotion Expenses – The Organization expenses promotional costs as they are incurred. Promotion expenses were \$199,820 and \$134,457 for the twelve months ended July 31, 2020 and eight months ended July 31, 2019, respectively.

Subsequent Events – Events that occurred subsequent to July 31, 2020 have been evaluated by the Organization's management through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Note 2 – New Accounting Standards

Issued

In March 2019, the Financial Accounting Standards Board (the "FASB") issued Accounting Standard Update ("ASU") No. 2019-03, "Not-for-Profit Entities (Topic 958): Updating the Definition of Collections," which modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are removed. ASU 2019-03 will be effective for fiscal years beginning after December 15, 2019. The Organization is evaluating the impact the adoption of ASU 2019-03 will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets." The amendments in this update require not-for-profit entities to present contributed nonfinancial assets separately and increases disclosures related to these contributions. Additional disclosures will include disaggregation of contributed nonfinancial assets, policies related to monetizing or utilizing these contributions, and a description of how the value of these contributions was determined. ASU 2020-07 will be effective for annual periods beginning after June 15, 2021. Early application is permitted. The Organization is evaluating the impact the adoption of ASU 2020-07 will have on its financial statements.

Note 3 – Cash and Cash Equivalents

The Organization maintains multiple accounts with various banks. Certain bank deposits may exceed Federal Depository Insurance Corporation limits during the year.

Mennonite Disaster Service

Notes To Financial Statements

Note 4 – Promises to Give

Unconditional promises to give at July 31, 2020 and 2019 consist of the following:

	2020	2019
	\$	\$
Rebuild TX - Hope Meadows Client Materials		1,050,000
UMCOR - Hope Meadows, TX		700,000
MACP Disaster Ready		450,000
CDP - Marianna Client Materials		250,000
UMCOR - Pine Ridge Vol Center Materials		10,000
American Red Cross	187,500	
<u>Total</u>	<u>187,500</u>	<u>2,460,000</u>

There was no allowance for uncollectible promises to give for the twelve months ended July 31, 2020 and eight months ended July 31, 2019. Promises to give as of July 31, 2020 totaled \$187,500, all of which is expected to be collected as of July 31, 2021.

Note 5 – Note Receivable

In March 2015, the Organization sold property in New Orleans to an organization in exchange for a note receivable of \$300,668. The balance of the note was \$281,740 as of July 31, 2019. The note receivable bore interest at a rate of 5.5% and was secured by the property. Interest and principal payments were due in the amount of \$1,707 monthly until maturity at March 5, 2020, with a balloon payment being due April 5, 2020, at which time all accrued interest and the principal balances were to be paid. The note receivable and all accrued interest was paid in full during December 2019.

Note 6 – Investments

Investments at July 31, 2020 and 2019 are comprised of the following:

	2020		2019	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Mutual funds				
Bond funds	9,428,261	9,929,898	9,858,497	10,003,151
Large cap	1,706,869	1,983,198	1,677,506	1,845,394
Mid cap	253,237	293,223	246,636	278,457
Small cap	325,909	355,142	310,995	342,645
International	1,232,348	1,237,145	1,236,053	1,176,947
Commodity	201,787	172,287	314,688	289,322
Real estate	286,984	310,966	236,311	267,590
Tactical	613,526	601,210	609,405	595,982
Money market funds	380,499	380,499	52,116	52,116
<u>Total Investments</u>	<u>14,429,420</u>	<u>15,263,568</u>	<u>14,542,207</u>	<u>14,851,604</u>

Mennonite Disaster Service

Notes To Financial Statements

Note 6 – Investments - Continued

The following schedule summarizes the investment return in the statements of activities for the twelve months ended July 31, 2020 and eight months ended July 31, 2019.

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Interest and dividends, net of fees of 2020-\$46,468; 2019-\$30,331	414,415	323,925
Net realized loss in investments	(20,584)	(27,980)
Net unrealized gain in investments	<u>524,752</u>	<u>650,013</u>
<u>Total</u>	<u>918,583</u>	<u>945,958</u>

Note 7 – Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to 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 described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Mennonite Disaster Service

Notes To Financial Statements

Note 7 – Fair Value Measurements - Continued

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2020 and 2019, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>2020</u>				
Mutual funds:				
Bond funds	9,929,898			9,929,898
Large cap	1,983,198			1,983,198
Mid cap	293,223			293,223
Small cap	355,142			355,142
International	1,237,145			1,237,145
Commodity	172,287			172,287
Real estate	310,966			310,966
Tactical	601,210			601,210
Money market funds	380,499			380,499
<u>Total Assets at Fair Value</u>	<u>15,263,568</u>	<u>0</u>	<u>0</u>	<u>15,263,568</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>2019</u>				
Mutual funds:				
Bond funds	10,003,151			10,003,151
Large cap	1,845,394			1,845,394
Mid cap	278,457			278,457
Small cap	342,645			342,645
International	1,176,947			1,176,947
Commodity	289,322			289,322
Real estate	267,590			267,590
Tactical	595,982			595,982
Money market funds	52,116			52,116
<u>Total Assets at Fair Value</u>	<u>14,851,604</u>	<u>0</u>	<u>0</u>	<u>14,851,604</u>

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mennonite Disaster Service

Notes To Financial Statements

Note 7 – Fair Value Measurements – Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at July 31, 2020 and 2019.

Money market funds: Valued at cost which is equivalent to fair value.

Mutual funds: Valued at quoted market prices which represents the net asset value (“NAV”) of shares held by the Organization at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 8 – Property and Equipment

Property and equipment as of July 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Office equipment	449,559	546,746
Vehicles and equipment	5,015,440	4,567,814
Land and building	3,775,197	3,758,668
Total cost	9,240,196	8,873,228
Less accumulated depreciation	4,356,213	3,696,420
<u>Total</u>	<u>4,883,983</u>	<u>5,176,808</u>

Depreciation charged to expense during the twelve months ended July 31, 2020 and eight months ended July 31, 2019 totaled \$919,826 and \$575,707, respectively.

Note 9 – Collection Items

The Organization’s collection items are art objects that are held for educational purposes. The items are preserved, cared for, and exhibited. The collection items are subject to a policy that requires proceeds from their sale to be used to acquire other items for collections.

Mennonite Disaster Service

Notes To Financial Statements

Note 10 – Net Assets

Net assets with donor restrictions as of July 31, 2020 and 2019 were available for the following purposes:

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Scholarships	90,048	95,178
Organizational development	5,300	19,600
Legacy Fund - donor restricted	90,687	90,687
Disaster recovery equipment	9,154	11,496
Disaster recovery programs	<u>4,000,997</u>	<u>7,641,951</u>
<u>Total Net Assets With Donor Restrictions</u>	<u>4,196,186</u>	<u>7,858,912</u>

Net assets were released from donor restrictions for the twelve months ended July 31, 2020 and the eight months ended July 31, 2019 by satisfying the purpose restrictions specified by donors as follows:

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Scholarship	8,330	
Organizational development	16,800	8,400
Disaster recovery equipment	40,972	60,504
Disaster recovery programs	<u>4,750,962</u>	<u>3,069,542</u>
<u>Total Net Assets Released from Donor Restrictions</u>	<u>4,817,064</u>	<u>3,138,446</u>

Net assets without donor restrictions included the following amounts designated by board action as of July 31, 2020 and 2019 and thus are not available for current operations.

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
General fund reserve - investment		44,282
Legacy Fund - board designated	<u>3,243,553</u>	<u>3,301,568</u>
<u>Total</u>	<u>3,243,553</u>	<u>3,345,850</u>

Mennonite Disaster Service

Notes To Financial Statements

Note 11 – Affiliates

Mennonite Disaster Service Canada is a supporting organization that serves one of the five regions of MDS, specifically Canada. MDS receives certain program and administrative services from MDS Canada. Total costs for agreed upon allocated services were \$27,190 and \$9,198 for the twelve months ended July 31, 2020 and eight months ended July 31, 2019, respectively. Total amount received from MDS Canada were \$0 and \$5,550 for the twelve months ended July 31, 2020 and eight months ended July 31, 2019, respectively.

Contributions received on the behalf of and forwarded to local units during the twelve months ended July 31, 2020 and eight months ended July 31, 2019 were \$281,955 and \$239,925, respectively.

Note 12 – Liquidity and Availability

The Organization's financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and purchase of property and equipment not financed with debt, were as follows:

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	1,414,215	842,256
Reimbursements receivable	392	111,856
Promises to give	187,500	2,460,000
Note receivable		281,740
Investments	<u>15,263,568</u>	<u>14,851,604</u>
Total financial assets available within one year	16,865,675	18,547,456
Less those unavailable for general expenditures within one year:		
Custodian accounts	424,447	263,814
Restricted by donor with purpose restrictions	4,196,186	7,858,912
Amounts reserved by board action	<u>3,243,553</u>	<u>3,345,850</u>
<u>Financial assets available to meet cash needs</u> <u>for general expenditures within one year</u>	<u>9,001,489</u>	<u>7,078,880</u>

The Organization intends on having financial assets on hand to meet 90 days of normal operating expenses. As part of its liquidity management, the Organization intends to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Funds in excess of 270 days of operating expenses may be used for client materials on underfunded projects upon approval by the Board of Directors. The Organization also invests its cash in excess of its daily needs in short-term or long-term investments. Should an unforeseen liquidity need arise, the Organization could liquidate these investments.

Mennonite Disaster Service

Notes To Financial Statements

Note 13 – Major Contributor

Each donation from a major contributor accounts for more than 10% of total public support and revenue. There were no major contributors for the twelve months ended July 31, 2020. Contributions for the eight months ended July 31, 2019 included contributions from one major donor totaling \$1,400,000. \$1,050,000 of the contributions from the major contributor were outstanding promises to give as of July 31, 2019.

Note 14 – Reclassification

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

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Mennonite Disaster Service
Lititz, Pennsylvania

We have audited the financial statements of Mennonite Disaster Service as of and for the twelve months ended July 31, 2020 and eight months ended July 31, 2019, and have issued our report thereon dated November 6, 2020, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information presented on pages 21 through 22 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Simon Lever LLC

Simon Lever LLC
Lititz, PA

November 6, 2020

SUPPLEMENTARY INFORMATION

Mennonite Disaster Service

CONTRIBUTIONS WITH DONOR RESTRICTIONS DETAIL
Twelve Months Ended July 31, 2020 and Eight Months Ended July 31, 2019
See Independent Auditor's Report on the Supplementary Information

	2020	2019
	\$	\$
RESTRICTED CONTRIBUTIONS		
2018 Hurricanes	275,233	647,706
Grants for tools and equipment	145,336	50,000
2019 Hurricanes	127,760	
Hurricane Maria	125,707	247,436
California wildfires	119,329	275,170
COVID-19 funding	72,247	
Puerto Rico earthquake	55,326	
McKinley wildfires	52,320	
Other projects and equipment	45,867	8,661
Vehicles	38,630	22,000
Tennessee tornadoes	36,915	
Hurricane Harvey	18,060	2,280,349
Pine Ridge, SD	11,350	328,014
Midwest floods and tornadoes	9,886	86,437
Saipan, North Mariana Islands	7,655	21,548
2019 Spring storms	4,900	126,196
West Virginia bridges	4,617	15,290
Scholarships	3,200	9,050
Legacy Fund		500
	1,154,338	4,118,357
<u>Total Restricted Contributions</u>	1,154,338	4,118,357

Mennonite Disaster Service

PROGRAM EXPENSES DETAIL
Twelve Months Ended July 31, 2020 and Eight Months Ended July 31, 2019
See Independent Auditor's Report on the Supplementary Information

	2020	2019
	\$	\$
PROGRAM EXPENSES		
Disaster Recovery		
Hurricane Harvey	3,031,064	1,321,691
Salaries and benefits	702,374	435,933
2018 Hurricanes	639,830	316,455
COVID-19 congregational support	616,205	
Region project support	552,734	211,111
Vehicle expense	405,391	175,402
General support	348,217	260,568
Hurricane Maria	335,496	581,530
Warehouses	212,178	191,880
California wildfires	143,616	108,563
Pine Ridge, SD	125,491	463,410
Partnership home	74,428	22,609
Saipan, North Mariana Islands	65,072	26,921
2019 Hurricanes	60,000	
Puerto Ricco earthquakes	48,704	
Alaska wildfires	39,312	
West Virginia flooding	38,709	
Hurricane Irma	24,728	154,289
Other responses	23,294	83,919
West Virginia bridges	10,021	68,600
Total Disaster Recovery	7,496,864	4,422,881
Volunteer Development	537,963	375,072
<u>Total Program Expenses</u>	8,034,827	4,797,953