Mennonite Disaster Service

Financial Report

July 31, 2019

SIMON LEVER
BUSINESS ADVISORS & CPAs
ADVICE WHEN IT MATTERS MOST
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C O N T E N T S

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, 2019 and November 30, 2018, and the related statements of activities, functional expenses and cash flows for the eight and twelve 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.

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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, 2019 and November 30, 2018, and the changes in its net assets and its cash flows for the eight and twelve month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2019 the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to these matters.

Simon Lever LLC

Simon Lever LLC
Lititz, PA

October 15, 2019

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
July 31, 2019 and November 30, 2018

	2019	2018
	$	$
ASSETS		
Cash and cash equivalents	842,256	1,346,891
Reimbursements receivable	111,856	109,511
Promises to give	2,460,000	716,365
Note receivable	281,740	285,034
Investments	14,851,604	13,232,425
Investments designated for investment in property and equipment		685,000
Property and equipment, less accumulated depreciation of 2019-$3,696,420; 2018-$3,314,475	5,176,808	5,167,961
Other assets	266,493	65,924
Collection item (Note 10)		
TOTAL ASSETS	23,990,757	21,609,111
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	83,392	175,588
Advances	9,900	198,454
Accrued expenses	181,724	138,602
Custodian accounts	263,814	291,730
Total Liabilities	538,830	804,374
NET ASSETS		
Without donor restrictions:		
Designated by board for property and equipment		685,000
Designated by board action	3,345,850	3,184,441
Undesignated	12,247,165	10,056,295
Total net assets without donor restrictions	15,593,015	13,925,736
With donor restrictions	7,858,912	6,879,001
Total Net Assets	23,451,927	20,804,737
TOTAL LIABILITIES AND NET ASSETS	23,990,757	21,609,111

See Notes to Financial Statements

STATEMENT OF ACTIVITIES
Eight Months Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
	$	$	$
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	3,407,251	4,118,357	7,525,608
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	3,138,446	(3,138,446)	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	7,555,767	979,911	8,535,678
EXPENSES			
Program			
Disaster recovery	4,422,881		4,422,881
Volunteer development	375,072		375,072
Total Program Expenses	4,797,953		4,797,953
Supporting Activities	902,408		902,408
Fundraising	188,127		188,127
TOTAL EXPENSES	5,888,488		5,888,488
Changes in Net Assets	1,667,279	979,911	2,647,190
Net Assets at Beginning of Year	13,925,736	6,879,001	20,804,737
NET ASSETS AT END OF YEAR	15,593,015	7,858,912	23,451,927

See Notes to Financial Statements

STATEMENT OF ACTIVITIES
Twelve Months Ended November 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
	$	$	$
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Without donor restrictions	4,649,450		4,649,450
Bequests and estates	1,471,767		1,471,767
With donor restrictions		3,876,010	3,876,010
Total Contributions	6,121,217	3,876,010	9,997,227
Investment loss	(108,121)		(108,121)
Gain on sale of property and equipment	42,508		42,508
Other income	38,330		38,330
Net assets released from restrictions	4,309,206	(4,309,206)	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	10,403,140	(433,196)	9,969,944
EXPENSES			
Program			
Disaster recovery	6,500,261		6,500,261
Volunteer development	398,806		398,806
Total Program Expenses	6,899,067		6,899,067
Supporting Activities	1,146,293		1,146,293
Fundraising	272,308		272,308
TOTAL EXPENSES	8,317,668		8,317,668
Changes in Net Assets	2,085,472	(433,196)	1,652,276
Net Assets at Beginning of Year	11,840,264	7,312,197	19,152,461
NET ASSETS AT END OF YEAR	13,925,736	6,879,001	20,804,737

See Notes to Financial Statements

STATEMENTS OF FUNCTIONAL EXPENSES
Eight Months Ended July 31, 2019 and Twelve Months Ended November 30, 2018

	Eight Months Ended July 31, 2019				
	Program-Disaster Recovery	Program-Volunteer Development	Supporting Activities	Fundraising Activities	Total Functional Expenses
	$	$	$	$	$
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

	Twelve Months Ended November 30, 2018				
	Program-Disaster Recovery	Program-Volunteer Development	Supporting Activities	Fundraising Activities	Total Functional Expenses
	$	$	$	$	$
Project site expenses					
Volunteer support	648,957				648,957
Site occupancy	415,736				415,736
Vehicle operations	1,102,626	3,824	17,577		1,124,027
Project start up/close down	163,046				163,046
Project supplies	32,091				32,091
Project equipment	427,031				427,031
Client materials	2,346,156				2,346,156
Volunteer travel	403,168				403,168
Volunteer development		98,006			98,006
Salaries and benefits	635,659	222,874	569,740	141,259	1,569,532
Occupancy	105,809	23,896	112,997	26,082	268,784
Administration	121,086	39,999	329,497	6,337	496,919
Communications	98,896	10,207	48,689	61,516	219,308
Fundraising				37,114	37,114
Board related			67,793		67,793
TOTAL	6,500,261	398,806	1,146,293	272,308	8,317,668

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS
Eight Months Ended July 31, 2019 and Twelve Months Ended November 30, 2018

	2019	2018
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	2,647,190	1,652,276
Noncash items included in changes in net assets:		
Depreciation	575,707	727,011
Gain on disposition of property and equipment	(10,363)	(42,508)
Contributed property and equipment received		(71,607)
Realized (gain) loss on investments	27,980	(5,999)
Unrealized (gain) loss on investments	(650,012)	516,497
Change in assets and liabilities:		
Reimbursements receivable	(2,345)	7,510
Promises to give	(1,743,635)	(500,965)
Other assets	(200,569)	(35,074)
Accounts payable	(92,196)	8,283
Advances	(188,554)	(256,809)
Accrued expenses	43,122	22,932
Custodian accounts	(27,916)	41,200
Net Cash Provided by Operating Activities	378,409	2,062,747
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,706,328)	(6,295,521)
Proceeds from sale of investments	2,394,181	4,809,682
Purchase of property and equipment	(590,385)	(1,206,525)
Proceeds from sale of property and equipment	16,194	71,010
Collections on note receivable	3,294	4,297
Net Cash Used in Investing Activities	(883,044)	(2,617,057)
Net Change in Cash and Cash Equivalents	(504,635)	(554,310)
CASH AND CASH EQUIVALENTS		
Beginning	1,346,891	1,901,201
Ending	842,256	1,346,891
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Contributed property and equipment received		71,607

See Notes to Financial Statements

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.

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, 2019). 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 owed by the Organization as of July 31, 2019 and November 30, 2018 was $125,540 and $43,699, 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.
>
> 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.

Note 1 – Summary of Significant Accounting Policies – Continued

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 $2,275 and $75,981 for the eight months ended July 31, 2019 and twelve months ended November 30, 2018, 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 $5,717 and $14,941 for the eight months ended July 31, 2019 and twelve months ended November 30, 2018, 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.

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 eight months ended July 31, 2019 and twelve months ended November 30, 2018, the amount charged to expense for the Organization’s pension plan was $32,225 and $40,406, respectively.

<u>Note 1 – Summary of Significant Accounting Policies</u> – Continued

<u>Promotion Expenses</u> – The Organization expenses promotional costs as they are incurred. Promotion expenses were $134,457 and $196,334 for the eight months ended July 31, 2019 and twelve months ended November 30, 2018, respectively.

<u>Subsequent Events</u> – Events that occurred subsequent to July 31, 2019 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

Adopted

During the period ended July 31, 2019, the Organization adopted the Financial Accounting Standards Board (FASB) ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." The guidance is intended to improve the net assets classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. A main provision of this guidance is presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. A summary of the net asset reclassifications caused by the adoption of ASU 2016-14 as of November 30, 2018 follows:

	ASU 2016-14 Classifications				
	Without donor restrictions				
Net Assets Classifications	Designated by Board for PP&E $	Designated by Board Action $	Undesignated $	With Donor Restrictions $	Total Net Assets $
As previously presented:					
Unrestricted	685,000	3,184,441	10,056,295		13,925,736
Temporarily restricted				6,879,001	6,879,001
Net assets, as reclassified	685,000	3,184,441	10,056,295	6,879,001	20,804,737

During 2018, the Organization adopted FASB ASU No. 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The guidance is intended to clarify whether transactions should be accounted for as a contribution or an exchange transaction and to clarify when a contribution is conditional. The guidance clarifies an exchange transaction is when a resource provider received commensurate value for the resources provided. A resource provider is not considered to receive commensurate value when the public receives the benefit of the resources provided or when the resource provider is following out their own mission. The guidance also clarifies that a contribution is conditional when it involves a barrier and a right of return or right of release from the provider's obligations.

Note 2 – New Accounting Standards - Continued

Issued

In March 2019, the FASB issued 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.

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.

Note 4 – Promises to Give

Unconditional promises to give at July 31, 2019 and November 30, 2018 consist of the following:

	2019	2018
	$	$
Rebuild TX - Hope Meadows Client Materials	1,050,000	
UMCOR - Hope Meadows, TX	700,000	
MACP Disaster Ready	450,000	450,000
CDP - Marianna Client Materials	250,000	
UMCOR - Pine Ridge Vol Center Materials	10,000	
ExtraGive		152,666
American Red Cross		83,600
United Service Foundation		25,000
Other		5,099
Total	2,460,000	716,365

There was no allowance for uncollectible promises to give for the eight months ended July 31, 2019 and twelve months ended November 30, 2018. Promises to give as of July 31, 2019 totaled $2,460,000, all of which is expected to be collected as of July 31, 2020.

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 and $285,034 as of July 31, 2019 and November 30, 2018, respectively. The note receivable bears interest at a rate of 5.5% and is secured by the property. Interest and principal payments are 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 shall be paid.

In accordance with the Organization's accounting policy, the Organization is not aware of any characteristics that would require it to record an allowance or impairment for the loans. Therefore, no loan loss has been accrued for the above-mentioned loan at July 31, 2019.

Note 6 – Investments

Investments at July 31, 2019 and November 30, 2018 are comprised of the following:

	2019		2018	
	Cost	Market Value	Cost	Market Value
	$	$	$	$
Mutual funds				
Bond funds	9,858,497	10,003,151	9,838,868	9,532,213
Large cap	1,677,506	1,845,394	1,613,357	1,688,447
Mid cap	246,636	278,457	223,791	227,302
Small cap	310,995	342,645	280,653	275,603
International	1,236,053	1,176,947	1,142,511	1,063,694
Commodity	314,688	289,322	283,569	267,852
Real estate	236,311	267,590	235,151	249,067
Tactical	609,405	595,982	572,172	545,279
Money market funds	52,116	52,116	67,968	67,968
Total Investments	14,542,207	14,851,604	14,258,040	13,917,425

The following schedule summarizes the investment return in the statements of activities for the eight months ended July 31, 2019 and twelve months ended November 30, 2018.

	2019	2018
	$	$
Interest and dividends, net of fees of 2019-$30,331; 2018-$47,464	323,925	402,377
Net realized gain (loss) in investments	(27,980)	5,999
Net unrealized gain (loss) in investments	650,013	(516,497)
Total	945,958	(108,121)

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.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2019 and November 30, 2018, respectively:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
2019				
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
Total Assets at Fair Value	14,851,604	0	0	14,851,604

<u>Note 7 – Fair Value Measurements</u> – Continued

	Level 1	Level 2	Level 3	Total
	$	$	$	$
<u>2018</u>				
Mutual funds:				
Bond funds	9,532,213			9,532,213
Large cap	1,688,447			1,688,447
Mid cap	227,302			227,302
Small cap	275,603			275,603
International	1,063,694			1,063,694
Commodity	267,852			267,852
Real estate	249,067			249,067
Tactical	545,279			545,279
Money market funds	67,968			67,968
<u>Total Assets at Fair Value</u>	13,917,425	0	0	13,917,425

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.

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, 2019 and November 30, 2018.

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.

Notes To Financial Statements

Note 8 – Property and Equipment

Property and equipment as of July 31, 2019 and November 30, 2018 consists of the following:

	2019	2018
	$	$
Office equipment	546,746	438,474
Vehicles and equipment	4,567,814	4,234,360
Land and building	3,758,668	3,677,585
Construction in progress		132,017
Total cost	8,873,228	8,482,436
Less accumulated depreciation	3,696,420	3,314,475
Total	5,176,808	5,167,961

Depreciation charged to expense during the eight months ended July 31, 2019 and twelve months ended November 30, 2018 totaled $575,707 and $727,011, respectively.

Note 9 – Operating Leases

The Organization leased two vehicles under an operating lease that expired during the twelve months ended November 30, 2018. Vehicle lease expense totaled $0 and $4,607 for the eight months ended July 31, 2019 and twelve months ended November 30, 2018, respectively.

Note 10 – 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.

Note 11 – Net Assets

Net assets with donor restrictions as of July 31, 2019 and November 30, 2018 were available for the following purposes:

	2019	2018
	$	$
Scholarships	95,178	86,128
Organizational development	19,600	28,000
Legacy Fund - donor restricted	90,687	90,187
Disaster recovery equipment	11,496	50,000
Disaster recovery programs	7,641,951	6,624,686
Total Net Assets With Donor Restrictions	7,858,912	6,879,001

<u>Note 11 – Net Assets</u> - Continued

Net assets were released from donor restrictions for the eight months ended July 31, 2019 and the twelve months ended November 30, 2018 by satisfying the purpose restrictions specified by donors as follows:

	2019	2018
	$	$
Scholarship		24,180
Organizational development	8,400	11,593
Disaster recovery equipment	60,504	57,492
Disaster recovery programs	3,069,542	4,215,941
Total Net Assets Released from Donor Restrictions	3,138,446	4,309,206

Net assets without donor restrictions included the following amounts designated by board action as of July 31, 2019 and November 30, 2018 and thus are not available for current operations.

	2019	2018
	$	$
General fund reserve - investment	44,282	90,379
General fund reserve - bequests		3,668
Legacy Fund - board designated	3,301,568	3,090,394
Total	3,345,850	3,184,441

Note 12 – 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 $9,198 and $27,827 for the eight months ended July 31, 2019 and twelve months ended November 30, 2018, respectively. Total amount received from MDS Canada were $5,550 and $56,695 for the eight months ended July 31, 2019 and twelve months ended November 30, 2018, respectively. Accounts payable to MDS Canada totaled $0 and $3,897 at July 31, 2019 and November 30, 2018, respectively.

Contributions received on the behalf of and forwarded to local units during the eight months ended July 31, 2019 and twelve months ended November 30, 2018 were $239,925 and $179,285, respectively.

Note 13 – Liquidity and Availability

As of July 31, 2019, 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:

	$
Cash and cash equivalents	842,256
Reimbursements receivable	111,856
Promises to give	2,460,000
Note receivable	281,740
Investments	14,851,604
Total financial assets available within one year	18,547,456
Less those unavailable for general expenditures within one year:	
Restricted by donor with purpose restrictions	7,858,912
Amounts reserved by board action	3,345,850
Financial assets available to meet cash needs for general expenditures within one year	7,342,694

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.

Note 14 – Major Contributor

For the eight months ended July 31, 2019, the Organization received more than 10% of its contributions from one donor. Contribution revenue from the donor totaled $1,400,000 for the eight months ended July 31, 2019 and outstanding promises to give were $1,050,000 at July 31, 2019. There were no major contributors for the twelve months ended November 30, 2018.

SIMON LEVER
BUSINESS ADVISORS & CPAs

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 eight months ended July 31, 2019 and twelve months ended November 30, 2018, and have issued our report thereon dated October 15, 2019, 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

October 15, 2019

www.simonlever.com

Lancaster Office 717.569.7081 | Harrisburg Office 717.975.8500 | Mechanicsburg Office 717.761.4000

SUPPLEMENTARY INFORMATION

CONTRIBUTIONS WITH DONOR RESTRICTIONS DETAIL
Eight Months Ended July 31, 2019 and Twelve Months Ended November 30, 2018
See Independent Auditor's Report on the Supplementary Information

	2019	2018
	$	$
RESTRICTED CONTRIBUTIONS		
Hurricane Harvey	2,280,349	324,763
2018 Hurricanes	647,706	951,854
Pine Ridge, SD	328,014	115,565
California wildfires	275,170	100,669
Hurricane Maria	247,436	641,021
2019 Spring storms	126,196	
Midwest floods and tornadoes	86,437	
Grants for tools and equipment	50,000	185,612
Vehicles	22,000	66,237
Saipan, North Mariana Islands	21,548	
West Virginia bridges	15,290	7,219
Scholarships	9,050	29,050
Other projects and equipment	4,000	128,189
2017 Hurricanes	3,890	330,219
Hurricane Irma	746	89,247
Legacy Fund	500	
West Virginia flooding	25	10,715
Margaret Cargill Philanthropies grant		750,000
Hattiesburg, MS		106,300
Schowalter Foundation grant		39,200
Gulf states flooding		150
Total Restricted Contributions	4,118,357	3,876,010

PROGRAM EXPENSES DETAIL
Eight Months Ended July 31, 2019 and Twelve Months Ended November 30, 2018
See Independent Auditor's Report on the Supplementary Information

	2019	2018
	$	$
PROGRAM EXPENSES		
Disaster Recovery		
Hurricane Harvey	1,321,691	1,552,362
Hurricane Maria	581,530	1,017,566
Pine Ridge, SD	463,410	500,396
Salaries and benefits	435,933	635,659
2018 Hurricanes	316,455	41,760
General support	260,568	336,098
Region project support	211,111	291,491
Warehouses	191,880	275,390
Vehicle expense	175,402	242,259
Hurricane Irma	154,289	261,448
California wildfires	108,563	163,859
Other responses	83,919	151,286
West Virginia bridges	68,600	148,208
Saipan, North Mariana Islands	26,921	157,023
Partnership home	22,609	125,657
Hattiesburg, MS		227,164
West Virginia flooding		204,702
Grant for tools and equipment		123,108
Lafayette, LA		44,825
Total Disaster Recovery	4,422,881	6,500,261
Volunteer Development	375,072	398,806
Total Program Expenses	4,797,953	6,899,067