Mennonite Disaster Service

Financial Report

November 30, 2018

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 November 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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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Lancaster Office 717.569.7081 | Harrisburg Office 717.975.8500 | Mechanicsburg Office 717.761.4000

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 November 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Simon Lever LLC

Simon Lever LLC
Lititz, PA

January 21, 2019

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
November 30, 2018 and 2017

	2018	2017
	$	$
ASSETS		
Cash and cash equivalents	1,346,891	1,901,201
Reimbursements receivable	109,511	117,021
Promises to give	716,365	215,400
Note receivable	285,034	289,331
Investments	13,232,425	12,257,084
Investments designated for investment in property and equipment	685,000	685,000
Property and equipment, less accumulated depreciation of 2018-$3,314,475; 2017-$2,785,849	5,167,961	4,645,342
Other assets	65,924	30,850
Collection item (Note 10)		
TOTAL ASSETS	21,609,111	20,141,229
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	175,588	167,305
Advances	198,454	455,263
Accrued expenses	138,602	115,670
Custodian accounts	291,730	250,530
Total Liabilities	804,374	988,768
NET ASSETS		
Unrestricted:		
Designated by board for property and equipment	685,000	685,000
Designated by board action	3,184,441	1,790,875
Undesignated	10,056,295	9,364,389
Total unrestricted	13,925,736	11,840,264
Temporarily restricted	6,879,001	7,312,197
Total Net Assets	20,804,737	19,152,461
TOTAL LIABILITIES AND NET ASSETS	21,609,111	20,141,229

See Notes to Financial Statements

STATEMENT OF ACTIVITIES
Year Ended November 30, 2018

	Unrestricted	Temporarily Restricted	Total
	$	$	$
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Unrestricted	4,649,450		4,649,450
Bequests and estates	1,471,767		1,471,767
Restricted		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)	0
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

STATEMENT OF ACTIVITIES
Year Ended November 30, 2017

	Unrestricted	Temporarily Restricted	Total
	$	$	$
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Unrestricted	4,176,736		4,176,736
Bequests and estates	998,076		998,076
Restricted		8,548,814	8,548,814
Total Contributions	5,174,812	8,548,814	13,723,626
Investment income	501,406		501,406
Gain on sale of property and equipment	19,487		19,487
Other income	71,120		71,120
Net assets released from restrictions	2,243,334	(2,243,334)	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,010,159	6,305,480	14,315,639
EXPENSES			
Program			
Disaster recovery	4,300,394		4,300,394
Volunteer development	308,568		308,568
Total Program Expenses	4,608,962		4,608,962
Supporting Activities	1,084,908		1,084,908
Fundraising	245,144		245,144
TOTAL EXPENSES	5,939,014		5,939,014
Changes in Net Assets	2,071,145	6,305,480	8,376,625
Net Assets at Beginning of Year	9,769,119	1,006,717	10,775,836
NET ASSETS AT END OF YEAR	11,840,264	7,312,197	19,152,461

See Notes to Financial Statements

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended November 30, 2018 and 2017

	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

	2017				
	Program-Disaster Recovery	Program-Volunteer Development	Supporting Activities	Fundraising Activities	Total Functional Expenses
	$	$	$	$	$
Project site expenses					
Volunteer support	632,175				632,175
Site occupancy	309,477				309,477
Vehicle operations	794,035	3,327	21,247		818,609
Project start up/close down	130,658				130,658
Project supplies	20,212				20,212
Project equipment	148,288				148,288
Client materials	1,300,684				1,300,684
Volunteer travel	143,647				143,647
Volunteer development		64,244			64,244
Salaries and benefits	527,278	176,644	491,416	132,816	1,328,154
Occupancy	96,001	19,900	110,635	19,659	246,195
Administration	106,537	38,116	334,187	5,462	484,302
Communications	91,402	6,337	43,692	69,936	211,367
Fundraising				17,271	17,271
Board related			83,731		83,731
TOTAL	4,300,394	308,568	1,084,908	245,144	5,939,014

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS
Years Ended November 30, 2018 and 2017

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	1,652,276	8,376,625
Noncash items included in changes in net assets:		
Depreciation	727,011	520,308
Gain on disposition of property and equipment	(42,508)	(19,487)
Contributed property and equipment received	(71,607)	(60,756)
Realized gain on investments	(5,999)	(119,008)
Unrealized (gain) loss on investments	516,497	(177,330)
Change in assets and liabilities:		
Reimbursements receivable	7,510	(57,067)
Promises to give	(500,965)	(23,900)
Other assets	(35,074)	34,970
Accounts payable	8,283	83,924
Advances	(256,809)	(226,753)
Accrued expenses	22,932	(21,013)
Custodian accounts	41,200	122,180
Net Cash Provided by Operating Activities	2,062,747	8,432,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,295,521)	(9,746,921)
Proceeds from sale of investments	4,809,682	3,159,276
Purchase of property and equipment	(1,206,525)	(1,281,045)
Proceeds from sale of property and equipment	71,010	67,196
Collections on note receivable	4,297	4,446
Net Cash Used in Investing Activities	(2,617,057)	(7,797,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation		(6,821)
Net Cash Used in Financing Activities	0	(6,821)
Net Change in Cash and Cash Equivalents	(554,310)	628,824
CASH AND CASH EQUIVALENTS		
Beginning	1,901,201	1,272,377
Ending	1,346,891	1,901,201
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Contributed property and equipment received	71,607	60,756

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 unrestricted contributions 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 temporarily restricted net assets. 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 temporarily restricted net assets to unrestricted net assets at that time.

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 reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

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 are classified as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – 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.

Permanently Restricted Net Assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Public Support and Revenue – Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded when made. Unconditional promises to give which are due in the next year are recorded at their net realizable value. Unconditional promises to give which are due in subsequent years are recorded at the present value of their net realizable value, using risk–free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management’s evaluation of potential uncollectible promises receivable at year end. Conditional promises to give are not included as support until such time as the condition is substantially met.

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

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets 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.

<u>Donated Materials and Services</u> – 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 $75,981 and $75,399 for the years ended November 30, 2018 and 2017, 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 $14,941 and $19,122 for the years ended November 30, 2018 and 2017.

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.

<u>Functional Allocation of Expenses</u> – 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.

<u>Income Taxes</u> – 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 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.

<u>Pension Benefits</u> – 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 years ended November 30, 2018 and 2017, the amount charged to expense for the Organization's pension plan was $40,406 and $34,528, respectively.

<u>Promotion Expenses</u> – The Organization expenses promotional costs as they are incurred. Promotion expenses were $196,334 and $172,785 for the years ended November 30, 2018 and 2017, respectively.

<u>Subsequent Events</u> – Events that occurred subsequent to November 30, 2018 have been evaluated by the Company's management through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Notes To Financial Statements

Note 2 – New Accounting Standards

Issued

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 receives 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. ASU 2018-08 will be effective for annual periods beginning after December 15, 2018. Early application is permitted. The Organization is evaluating the impact the adoption of this update will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.” The amendments in this update include, but are not limited to, requirements for qualitative and quantitative assessments of net asset classes, investment returns, natural and functional expenses, liquidity and the availability of resources, and presentation of operating cash flows. This accounting standard is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early application is permitted. The Organization is evaluating the impact the adoption of this update will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than twelve months. Recognition, measurement, and presentation of expenses will depend on classification as finance or operating lease. ASU 2016-02 will be effective for annual periods beginning after December 15, 2019. Early application is permitted. The Organization is evaluating the impact the adoption of this update 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.

Under the terms of a 2015 grant agreement, the Organization is required to have cash held separately from its other accounts. Cash under this agreement totaled $0 and $109,544 as of November 30, 2018 and 2017, respectively. During 2018, the remaining funds were spent and the grant ended.

Note 4 – Promises to Give

The following unconditional promises to give have been recorded as of November 30:

	2018	2017
	$	$
MACP Disaster Ready	450,000	
ExtraGive	152,666	145,400
American Red Cross	83,600	
United Service Foundation	25,000	
Other	5,099	
UMCOR - Pine Ridge		50,000
UMCOR - Saipan		20,000
Total	716,365	215,400

There was no allowance for uncollectible promises to give for the years ended November 30, 2018 and 2017. Promises to give as of November 30, 2018 totaled $716,365, of which $516,365 is expected to be collected in 2019 and $200,000 is expected to be collected in 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 $285,034 and $289,331 as of November 30, 2018 and 2017, 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 November 30, 2018.

Note 6 – Investments

Investments at November 30, 2018 and 2017 are comprised of the following:

	2018		2017	
	Cost	Market Value	Cost	Market Value
	$	$	$	$
Mutual funds				
Bond funds	9,838,868	9,532,213	9,379,294	9,315,559
Large cap	1,613,357	1,688,447	1,187,965	1,312,120
Mid cap	223,791	227,302	166,469	173,636
Small cap	280,653	275,603	244,069	262,782
International	1,142,511	1,063,694	828,518	894,388
Commodity	283,569	267,852	274,412	279,337
Real estate	235,151	249,067	211,360	216,159
Tactical	572,172	545,279	434,091	448,078
Money market funds	67,968	67,968	40,025	40,025
Total Investments	14,258,040	13,917,425	12,766,203	12,942,084

The following schedule summarizes the investment return in the statements of activities for the years ended November 30, 2018 and 2017.

	2018	2017
	$	$
Interest and dividends, net of fees of 2018-$47,464; 2017-$32,099	402,377	205,068
Net realized gain in investments	5,999	119,008
Net unrealized gain (loss) in investments	(516,497)	177,330
Total	(108,121)	501,406

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.

Note 7 – Fair Value Measurements – Continued

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 November 30, 2018 and 2017, respectively:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
2018				
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
Total Assets at Fair Value	13,917,425	0	0	13,917,425

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

	Level 1	Level 2	Level 3	Total
	$	$	$	$
2017				
Mutual funds:				
Bond funds	9,315,559			9,315,559
Large cap	1,312,120			1,312,120
Mid cap	173,636			173,636
Small cap	262,782			262,782
International	894,388			894,388
Commodity	279,337			279,337
Real estate	216,159			216,159
Tactical	448,078			448,078
Money market funds	40,025			40,025
Total Assets at Fair Value	12,942,084	0	0	12,942,084

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 November 30, 2018 and 2017.

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 consists of the following:

	2018	2017
	$	$
Office equipment	438,474	407,645
Vehicles and equipment	4,234,360	3,627,913
Land and building	3,677,585	3,362,451
Construction in progress	132,017	33,182
Total cost	8,482,436	7,431,191
Less accumulated depreciation	3,314,475	2,785,849
Total	5,167,961	4,645,342

Depreciation charged to expense during the years ended November 30, 2018 and 2017 totaled $727,011 and $520,308, respectively.

Note 9 – Operating Leases

The Organization leased two vehicles under an operating lease that expired during the year ended November 30, 2018. Vehicle lease expense totaled $4,607 and $6,909 for the years ended November 30, 2018 and 2017, 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.

Notes To Financial Statements

Note 11 – Net Assets

Temporarily restricted net assets are available for the following purposes:

	2018	2017
	$	$
Scholarships	86,128	81,258
Organizational development	28,000	393
Legacy Fund - donor restricted	90,187	90,187
Disaster recovery equipment	50,000	41,255
Disaster recovery programs	6,624,686	7,099,104
Total Temporarily Restricted Net Assets	6,879,001	7,312,197

Net assets were released from donor restrictions by satisfying the purpose restrictions specified by donors as follows:

	2018	2017
	$	$
Scholarship	24,180	18,645
Organizational development	11,593	17,938
Disaster recovery equipment	57,492	335,253
Disaster recovery programs	4,215,941	1,871,498
Total Net Assets Released from Restrictions	4,309,206	2,243,334

Unrestricted net assets included the following amounts designated by board action and thus are not available for current operations.

	2018	2017
	$	$
General fund reserve - investment	90,379	141,829
General fund reserve - bequests	3,668	30,420
Legacy Fund - board designated	3,090,394	1,618,626
Total	3,184,441	1,790,875

Notes To Financial Statements

Note 12 – Affiliates

Mennonite Central Committee U.S. (MCC U.S.) and Mennonite Central Committee Canada (MCC Canada) are separate but similar organizations which provide relief, service and development programs both in the United States and abroad. MCC U.S. had a representative on the MDS Board of Delegates during part of the year ending November 30, 2017 and was no longer an affiliate in 2018.

MDS received certain administrative and financial services from MCC in exchange for a fee during the year ended November 30, 2017. Total costs and accounts payable to MCC were $41,701 and $1,866, respectively, for the year ended November 30, 2017. Contributions received on behalf of and forwarded to MCC during the year ended November 30, 2017 were $3,250.

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 $27,827 and $893 for the years ended November 30, 2018 and 2017, respectively. Total amount received from MDS Canada were $56,695 and $84,610 for the years ended November 30, 2018 and 2017, respectively. At November 30, 2018 and 2017, reimbursements receivable from MDS Canada totaled $0 and $33,673, respectively. Accounts payable to MDS Canada totaled $3,897 and $0 at November 30, 2018 and 2017, respectively.

Contributions received on the behalf of and forwarded to local units during the years ended November 31, 2018 and 2017 were $179,285 and $183,608, respectively.

Note 13 – Major Contributor

There were no major contributors for the year ended November 30, 2018. For the year ended November 30, 2017, the Organization received more than 10% of its contributions from one donor. Contribution revenue from the donor totaled $1,800,000 for the year ended November 30, 2017.

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 years ended November 30, 2018 and 2017, and have issued our report thereon dated January 21, 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 20 through 21 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

January 21, 2019

www.simonlever.com

Lancaster Office 717.569.7081 | Harrisburg Office 717.975.8500 | Mechanicsburg Office 717.761.4000

SUPPLEMENTARY INFORMATION

RESTRICTED CONTRIBUTIONS DETAIL
Years Ended November 30, 2018 and 2017
See Independent Auditor's Report on the Supplementary Information

	2018	2017
	$	$
RESTRICTED CONTRIBUTIONS		
2018 Hurricanes	951,854	
Margaret Cargill Philanthropies grant	750,000	
Hurricane Maria	641,021	763,534
2017 Hurricanes	330,219	2,027,630
Hurricane Harvey	324,763	3,554,514
Grants for tools and equipment	185,612	108,166
Other projects and equipment	128,189	130,773
Pine Ridge, SD	115,565	365,000
Hattiesburg, MS	106,300	
California wildfires	100,669	67,057
Hurricane Irma	89,247	168,678
Vehicles	66,237	313,088
Schowalter Foundation grant	39,200	
Scholarships	29,050	39,250
West Virginia flooding	10,715	705,406
West Virginia bridges	7,219	99,481
Gulf states flooding	150	27,210
Saipan, North Mariana Islands		107,375
South Carolina flooding		52,921
Detroit, MI		15,731
Legacy Fund		3,000
Total Restricted Contributions	3,876,010	8,548,814

PROGRAM EXPENSES DETAIL
Years Ended November 30, 2018 and 2017
See Independent Auditor's Report on the Supplementary Information

	2018	2017
	$	$
PROGRAM EXPENSES		
Disaster Recovery		
Hurricane Harvey	1,552,362	97,166
Hurricane Maria	1,017,566	134,881
Salaries and benefits	635,659	527,278
Pine Ridge, SD	500,396	335,313
General support	336,098	303,428
Region project support	291,491	161,220
Warehouses	275,390	199,172
Hurricane Irma	261,448	52,392
Vehicle expense	242,259	279,832
Hattiesburg, MS	227,164	25,206
West Virginia flooding	204,702	550,485
California wildfires	163,859	310,888
Saipan, North Mariana Islands	157,023	206,081
Other responses	151,286	143,580
West Virginia bridges	148,208	350,303
Partnership home	125,657	222,280
Grant for tools and equipment	123,108	
Lafayette, LA	44,825	77,839
2018 Hurricanes	41,760	
Detroit, MI		108,661
South Carolina flooding		181,144
Texas floods		13,594
Lusk, WY		13,267
Colorado flooding		5,981
Kamiah, ID		403
Total Disaster Recovery	6,500,261	4,300,394
Volunteer Development	398,806	308,568
Total Program Expenses	6,899,067	4,608,962