

Mennonite Disaster Service

Financial Report

July 31, 2021



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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, 2021 and 2020, 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 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, 2021 and 2020, 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

November 5, 2021

FINANCIAL STATEMENTS

Mennonite Disaster Service

STATEMENTS OF FINANCIAL POSITION
July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
ASSETS		
Cash and cash equivalents	1,266,679	1,414,215
Reimbursements receivable	357,912	392
Promises to give	575,000	187,500
Investments	18,922,170	15,263,568
Property and equipment, less accumulated depreciation of 2021-\$4,963,517; 2020-\$4,356,213	4,799,862	4,883,983
Other assets	332,937	270,217
Collection item (Note 8)		
<u>TOTAL ASSETS</u>	<u>26,254,560</u>	<u>22,019,875</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	110,962	46,544
Advances		113,648
Accrued expenses	224,111	232,030
Custodian accounts	541,443	424,447
Total Liabilities	<u>876,516</u>	<u>816,669</u>
NET ASSETS		
Without donor restrictions:		
Designated by board action	5,462,027	3,243,553
Undesignated	17,311,902	13,763,467
Total net assets without donor restrictions	<u>22,773,929</u>	<u>17,007,020</u>
With donor restrictions	<u>2,604,115</u>	<u>4,196,186</u>
Total Net Assets	<u>25,378,044</u>	<u>21,203,206</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>26,254,560</u>	<u>22,019,875</u>

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENT OF ACTIVITIES
Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Without donor restrictions	5,291,944		5,291,944
Bequests and estates	2,528,983		2,528,983
With donor restrictions		3,177,745	3,177,745
Total Contributions	<u>7,820,927</u>	<u>3,177,745</u>	<u>10,998,672</u>
Investment income	1,810,095		1,810,095
Gain on sale of property and equipment	25,630		25,630
Other income	10,771		10,771
Net assets released from restrictions	<u>4,769,816</u>	<u>(4,769,816)</u>	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>14,437,239</u>	<u>(1,592,071)</u>	<u>12,845,168</u>
EXPENSES			
Program			
Disaster recovery	6,809,209		6,809,209
Volunteer development	426,084		426,084
Total Program Expenses	<u>7,235,293</u>		<u>7,235,293</u>
Supporting Activities	1,153,866		1,153,866
Fundraising	<u>281,171</u>		<u>281,171</u>
TOTAL EXPENSES	<u>8,670,330</u>		<u>8,670,330</u>
Changes in Net Assets	5,766,909	(1,592,071)	4,174,838
Net Assets at Beginning of Year	<u>17,007,020</u>	<u>4,196,186</u>	<u>21,203,206</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>22,773,929</u>	<u>2,604,115</u>	<u>25,378,044</u>

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENT OF ACTIVITIES
Year 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

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended July 31, 2021 and 2020

	Year Ended July 31, 2021				Total Functional Expenses
	Program- Disaster Recovery	Program- Volunteer Development	Supporting Activities	Fundraising Activities	
	\$	\$	\$	\$	
Project site expenses					
Volunteer support	678,402				678,402
Site occupancy	256,404				256,404
Vehicle operations	1,109,598	6,332	7,675		1,123,605
Project start up/close down	107,673				107,673
Project supplies	11,334				11,334
Project equipment	139,929				139,929
Client materials	3,180,716				3,180,716
Volunteer travel	285,185				285,185
Volunteer development		4,990			4,990
Salaries and benefits	708,161	374,156	576,749	166,090	1,825,156
Occupancy	129,357	21,263	147,266	30,343	328,229
Administration	114,782	8,178	370,261	4,517	497,738
Communications	87,668	11,165	46,433	57,709	202,975
Fundraising				22,512	22,512
Board related			5,482		5,482
TOTAL	6,809,209	426,084	1,153,866	281,171	8,670,330

	Year 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

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENTS OF CASH FLOWS
Years Ended July 31, 2021 and 2020

	2021	2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	4,174,838	(2,248,721)
Noncash items included in changes in net assets:		
Depreciation	830,780	919,826
Gain on disposition of property and equipment	(25,630)	(32,043)
Contributed property and equipment received	(9,000)	
Realized (gain) loss on investments	(209,042)	20,584
Unrealized gain on investments	(1,173,504)	(524,752)
Change in assets and liabilities:		
Reimbursements receivable	(357,520)	111,464
Promises to give	(387,500)	2,272,500
Other assets	(62,720)	(3,724)
Accounts payable	64,418	(36,848)
Advances	(113,648)	103,748
Accrued expenses	(7,919)	50,306
Custodian accounts	116,996	160,633
Net Cash Provided by Operating Activities	2,840,549	792,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,997,590)	(3,128,062)
Proceeds from sale of investments	1,721,534	3,220,266
Purchase of property and equipment	(781,338)	(627,235)
Proceeds from sale of property and equipment	69,309	32,277
Collections on note receivable		281,740
Net Cash Used in Investing Activities	(2,988,085)	(221,014)
Net Change in Cash and Cash Equivalents	(147,536)	571,959
CASH AND CASH EQUIVALENTS		
Beginning	1,414,215	842,256
Ending	1,266,679	1,414,215
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Contributed property and equipment received	9,000	

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, 2021). 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, 2021 and 2020 was \$158,797 and \$137,037, 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 \$23,289 and \$1,100 for the years ended July 31, 2021 and 2020, 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 \$61,043 and \$20,137 for the years ended July 31, 2021 and 2020, 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 years ended July 31, 2021 and 2020, the amount charged to expense for the Organization's pension plan was \$68,953 and \$58,928, respectively.

Promotion Expenses – The Organization expenses promotional costs as they are incurred. Promotion expenses were \$166,117 and \$199,820 for the years ended July 31, 2021 and 2020, respectively.

Subsequent Events – Events that occurred subsequent to July 31, 2021 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 2020, the Organization adopted Financial Accounting Standards Board ("FASB") 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. This has been disclosed in Note 8.

Issued

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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
American Red Cross MACP Disaster Ready	<u>575,000</u>	<u>187,500</u>
<u>Total</u>	<u><u>575,000</u></u>	<u><u>187,500</u></u>

There was no allowance for uncollectible promises to give for the years ended July 31, 2021 and 2020. Promises to give as of July 31, 2021 totaled \$575,000 all of which is expected to be collected as of July 31, 2022.

Note 5 – Investments

Investments at July 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Mutual funds				
Bond funds	12,536,396	12,893,711	9,428,261	9,929,898
Large cap	1,706,991	2,559,911	1,706,869	1,983,198
Mid cap	225,541	335,656	253,237	293,223
Small cap	264,033	434,418	325,909	355,142
International	1,205,563	1,512,322	1,232,348	1,237,145
Commodity			201,787	172,287
Real estate	288,314	413,595	286,984	310,966
Tactical	661,284	746,161	613,526	601,210
Money market funds	<u>8,000</u>	<u>26,396</u>	<u>380,499</u>	<u>380,499</u>
<u>Total Investments</u>	<u><u>16,896,122</u></u>	<u><u>18,922,170</u></u>	<u><u>14,429,420</u></u>	<u><u>15,263,568</u></u>

Mennonite Disaster Service

Notes to Financial Statements

Note 5 – Investments - Continued

The following schedule summarizes the investment return in the statements of activities for the years ended July 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Interest and dividends, net of fees of 2021-\$51,978; 2020-\$46,468	427,549	414,415
Net realized gain (loss) in investments	209,042	(20,584)
Net unrealized gain in investments	<u>1,173,504</u>	<u>524,752</u>
<u>Total</u>	<u><u>1,810,095</u></u>	<u><u>918,583</u></u>

Note 6 – 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 can 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 6 – 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, 2021 and 2020, 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>2021</u>				
Mutual funds:				
Bond funds	12,893,711			12,893,711
Large cap	2,559,911			2,559,911
Mid cap	335,656			335,656
Small cap	434,418			434,418
International	1,512,322			1,512,322
Real estate	413,595			413,595
Tactical	746,161			746,161
Money market funds	26,396			26,396
<u>Total Assets at Fair Value</u>	<u>18,922,170</u>	<u>0</u>	<u>0</u>	<u>18,922,170</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>

The assets 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 6 – 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, 2021 and 2020.

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 7 – Property and Equipment

Property and equipment as of July 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Office equipment	462,405	449,559
Vehicles and equipment	5,325,499	5,015,440
Land and building	3,951,517	3,775,197
Construction in progress	23,958	
Total cost	<u>9,763,379</u>	<u>9,240,196</u>
Less accumulated depreciation	<u>4,963,517</u>	<u>4,356,213</u>
<u>Total</u>	<u><u>4,799,862</u></u>	<u><u>4,883,983</u></u>

Depreciation charged to expense during the years ended July 31, 2021 and 2020 totaled \$830,780 and \$919,826, respectively.

Note 8 – 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 9 – Net Assets

Net assets with donor restrictions as of July 31, 2021 and 2020 were available for the following purposes:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Scholarships	90,098	90,048
Organizational development	5,300	5,300
Legacy Fund - donor restricted	86,642	90,687
Disaster recovery equipment		9,154
Disaster recovery programs	<u>2,422,075</u>	<u>4,000,997</u>
<u>Total Net Assets With Donor Restrictions</u>	<u>2,604,115</u>	<u>4,196,186</u>

Net assets were released from donor restrictions for the years ended July 31, 2021 and 2020 by satisfying the purpose restrictions specified by donors as follows:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Scholarship		8,330
Organizational development		16,800
Disaster recovery equipment	77,231	40,972
Disaster recovery programs	4,688,540	4,750,962
Legacy Fund - donor restricted	<u>4,045</u>	
<u>Total Net Assets Released from Donor Restrictions</u>	<u>4,769,816</u>	<u>4,817,064</u>

Net assets without donor restrictions included the following amounts designated by board action as of July 31, 2021 and 2020 and thus are not available for current operations.

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Legacy Fund - board designated	<u>5,462,027</u>	<u>3,243,553</u>
<u>Total</u>	<u>5,462,027</u>	<u>3,243,553</u>

Mennonite Disaster Service

Notes to Financial Statements

Note 10 – 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 \$10,985 and \$27,190 for the years ended July 31, 2021 and 2020, respectively. Total amount received from MDS Canada were \$14,190 and \$0 for the years ended July 31, 2021 and 2020, respectively.

Contributions received on the behalf of and forwarded to local units during the years ended July 31, 2021 and 2020 were \$206,467 and \$281,955, respectively.

Note 11 – 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>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	1,266,679	1,414,215
Reimbursements receivable	357,912	392
Promises to give	575,000	187,500
Investments	<u>18,922,170</u>	<u>15,263,568</u>
Total financial assets available within one year	21,121,761	16,865,675
Less those unavailable for general expenditures within one year:		
Custodian accounts	541,443	424,447
Restricted by donor with purpose restrictions	2,604,115	4,196,186
Amounts reserved by board action	<u>5,462,027</u>	<u>3,243,553</u>
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u><u>12,514,176</u></u>	<u><u>9,001,489</u></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.

**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 July 31, 2021 and 2020, and have issued our report thereon dated November 5, 2021, 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
Lititz, PA

November 5, 2021

SUPPLEMENTARY INFORMATION

Mennonite Disaster Service

CONTRIBUTIONS WITH DONOR RESTRICTIONS DETAIL

Years Ended July 31, 2021 and 2020

See Independent Auditor's Report on the Supplementary Information

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
RESTRICTED CONTRIBUTIONS		
Margaret Cargill Philanthropies grant	1,000,000	
Hurricane Harvey	792,065	18,060
Hurricane Laura	253,328	
PA drought	248,928	
Texas freeze	182,985	
Pine Ridge, SD	100,450	11,350
COVID-19 funding	93,271	72,247
California wildfires	90,472	119,329
McKinley wildfires	75,855	52,320
Border crisis	75,300	
Vehicles	68,078	38,630
New York Bruderhof Communities	50,000	
2020 Hurricanes	39,000	
West Virginia bridges	36,200	4,617
Hurricane Maria	16,400	125,707
West Coast wildfires	15,360	
2020 Midwest storms	12,387	
Hurricane Sally	11,030	
Other projects and equipment	8,100	45,867
Grants for tools and equipment	4,386	145,336
2018 Hurricanes	3,950	275,233
Tennessee tornadoes	200	36,915
2019 Hurricanes		127,760
Puerto Rico earthquake		55,326
Midwest floods and tornadoes		9,886
Saipan, North Mariana Islands		7,655
2019 Spring storms		4,900
Scholarships		3,200
	<u>3,177,745</u>	<u>1,154,338</u>
<u>Total Restricted Contributions</u>	<u>3,177,745</u>	<u>1,154,338</u>

Mennonite Disaster Service

PROGRAM EXPENSES DETAIL
Years Ended July 31, 2021 and 2020

See Independent Auditor's Report on the Supplementary Information

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
PROGRAM EXPENSES		
Disaster Recovery		
Hurricane Harvey	2,334,480	3,031,064
2018 Hurricanes	754,259	639,830
Salaries and benefits	708,161	702,374
Region project support	448,208	552,734
PA drought	413,826	
General support	348,272	348,217
Vehicle expense	287,279	405,391
California wildfires	200,719	143,616
Alaska wildfires	179,670	39,312
Border crisis	173,263	
Warehouses	161,151	212,178
Hurricane Maria	152,730	335,496
Pine Ridge, SD	135,588	125,491
Texas freeze	103,812	
West Virginia bridges	90,879	10,021
COVID-19 congregational support	90,546	616,205
Hurricane Laura	90,298	
2019 Hurricanes	64,124	60,000
Partnership home	33,342	74,428
Other responses	12,132	23,294
West Virginia flooding	10,045	38,709
2020 Hurricanes	7,084	
Puerto Rico earthquakes	5,496	48,704
Hurricane Sally	3,845	
Saipan, North Mariana Islands		65,072
Hurricane Irma		24,728
Total Disaster Recovery	<u>6,809,209</u>	<u>7,496,864</u>
Volunteer Development	<u>426,084</u>	<u>537,963</u>
<u>Total Program Expenses</u>	<u><u>7,235,293</u></u>	<u><u>8,034,827</u></u>