

Mennonite Disaster Service

Financial Report

July 31, 2022



CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2-4
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	6-7
Statements of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10-19
SUPPLEMENTARY INFORMATION	
Contributions with Donor Restrictions Detail	20
Program Expenses Detail	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mennonite Disaster Service
Lititz, Pennsylvania

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mennonite Disaster Service and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mennonite Disaster Service's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mennonite Disaster Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mennonite Disaster Service's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 states in all material respects in relation to the financial statements as a whole.



Simon Lever LLC
Lititz, PA

November 3, 2022

FINANCIAL STATEMENTS

Mennonite Disaster Service

STATEMENTS OF FINANCIAL POSITION
July 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
ASSETS		
Cash and cash equivalents	1,876,225	1,266,679
Reimbursements receivable	152,124	357,912
Promises to give	575,000	575,000
Investments	19,754,148	18,922,170
Property and equipment, less accumulated depreciation of 2022-\$5,743,591; 2021-\$4,963,517	5,594,152	4,799,862
Other assets	360,154	332,937
Collection item (Note 8)		
<u>TOTAL ASSETS</u>	<u>28,311,803</u>	<u>26,254,560</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	187,891	110,962
Advances	48,400	
Accrued expenses	242,786	224,111
Custodian accounts	538,446	541,443
Total Liabilities	<u>1,017,523</u>	<u>876,516</u>
NET ASSETS		
Without donor restrictions:		
Designated by board action	7,605,688	5,462,027
Undesignated	16,605,029	17,311,902
Total net assets without donor restrictions	<u>24,210,717</u>	<u>22,773,929</u>
With donor restrictions	<u>3,083,563</u>	<u>2,604,115</u>
Total Net Assets	<u>27,294,280</u>	<u>25,378,044</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>28,311,803</u>	<u>26,254,560</u>

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENT OF ACTIVITIES
Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Without donor restrictions	6,350,251		6,350,251
Bequests and estates	2,488,291		2,488,291
Contributed nonfinancial assets	742,429		742,429
With donor restrictions		3,669,599	3,669,599
Total Contributions	<u>9,580,971</u>	<u>3,669,599</u>	<u>13,250,570</u>
Investment loss	(1,866,817)		(1,866,817)
Gain on sale of property and equipment	4,303		4,303
Other income	13,980		13,980
Net assets released from restrictions	<u>3,190,151</u>	<u>(3,190,151)</u>	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>10,922,588</u>	<u>479,448</u>	<u>11,402,036</u>
EXPENSES			
Program			
Disaster recovery	6,956,386		6,956,386
Volunteer development	596,842		596,842
Total Program Expenses	<u>7,553,228</u>		<u>7,553,228</u>
Supporting Activities	1,605,802		1,605,802
Fundraising	<u>326,770</u>		<u>326,770</u>
TOTAL EXPENSES	<u>9,485,800</u>		<u>9,485,800</u>
Changes in Net Assets	1,436,788	479,448	1,916,236
Net Assets at Beginning of Year	<u>22,773,929</u>	<u>2,604,115</u>	<u>25,378,044</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>24,210,717</u>	<u>3,083,563</u>	<u>27,294,280</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	5,207,612		5,207,612
Bequests and estates	2,528,983		2,528,983
Contributed nonfinancial assets	84,332		84,332
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

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended July 31, 2022 and 2021

	Year Ended July 31, 2022				Total Functional Expenses
	Program- Disaster Recovery	Program- Volunteer Development	Supporting Activities	Fundraising Activities	
	\$	\$	\$	\$	
Project site expenses					
Volunteer support	484,225				484,225
Site occupancy	387,159				387,159
Vehicle operations	1,332,219	7,435	9,996		1,349,650
Project start up/close down	192,790				192,790
Project supplies	29,960				29,960
Project equipment	218,397				218,397
Client materials	2,828,546				2,828,546
Volunteer travel	330,900				330,900
Volunteer development		77,402			77,402
Salaries and benefits	828,055	405,490	708,543	192,074	2,134,162
Occupancy	82,220	40,582	178,233	46,201	347,236
Administration	145,954	48,319	595,410	4,079	793,762
Communications	95,961	17,614	54,490	63,508	231,573
Fundraising				20,908	20,908
Board related			59,130		59,130
TOTAL	6,956,386	596,842	1,605,802	326,770	9,485,800

	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

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENTS OF CASH FLOWS
Years Ended July 31, 2022 and 2021

	2022	2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	1,916,236	4,174,838
Noncash items included in changes in net assets:		
Depreciation	840,940	830,780
Gain on disposition of property and equipment	(4,303)	(25,630)
Contributed property and equipment received	(657,159)	(9,000)
Realized gain on investments	(105,445)	(209,042)
Unrealized (gain) loss on investments	2,632,620	(1,173,504)
Change in assets and liabilities:		
Reimbursements receivable	205,788	(357,520)
Promises to give		(387,500)
Other assets	(27,217)	(62,720)
Accounts payable	76,929	64,418
Advances	48,400	(113,648)
Accrued expenses	18,675	(7,919)
Custodian accounts	(2,997)	116,996
Net Cash Provided by Operating Activities	4,942,467	2,840,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,148,529)	(3,997,590)
Proceeds from sale of investments	2,789,377	1,721,534
Purchase of property and equipment	(1,579,472)	(781,338)
Proceeds from sale of property and equipment	605,703	69,309
Net Cash Used in Investing Activities	(4,332,921)	(2,988,085)
Net Change in Cash and Cash Equivalents	609,546	(147,536)
CASH AND CASH EQUIVALENTS		
Beginning	1,266,679	1,414,215
Ending	1,876,225	1,266,679
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Contributed property and equipment received	657,159	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, 2022). 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, 2022 and 2021 was \$151,904 and \$158,797, 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 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

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 years ended July 31, 2022 and 2021, the amount charged to expense for the Organization's pension plan was \$68,724 and \$68,953, respectively.

Mennonite Disaster Service

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Promotion Expenses – The Organization expenses promotional costs as they are incurred. Promotion expenses were \$180,636 and \$166,117 for the years ended July 31, 2022 and 2021, respectively.

Subsequent Events – Events that occurred subsequent to July 31, 2022 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

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“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. The Organization adopted the new standard effective August 1, 2021, the first day of the Organization’s fiscal year, using the full retrospective method.

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, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
MACP Disaster Ready	<u>575,000</u>	<u>575,000</u>
<u>Total</u>	<u>575,000</u>	<u>575,000</u>

There was no allowance for uncollectible promises to give for the years ended July 31, 2022 and 2021. Promises to give as of July 31, 2022 totaled \$575,000 all of which is expected to be collected as of May 1, 2023.

Mennonite Disaster Service

Notes to Financial Statements

Note 5 – Investments

Investments at July 31, 2022 and 2021 are comprised of the following:

	2022		2021	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Mutual funds				
Bond funds	14,090,629	13,105,050	12,536,396	12,893,711
Large cap	2,574,876	2,839,907	1,706,991	2,559,911
Mid cap	322,000	363,534	225,541	335,656
Small cap	399,426	460,272	264,033	434,418
International	1,583,010	1,566,701	1,205,563	1,512,322
Real estate	567,456	621,209	288,314	413,595
Tactical	808,084	763,841	661,284	746,161
Money market funds	5,614	33,634	8,000	26,396
<u>Total Investments</u>	<u>20,351,095</u>	<u>19,754,148</u>	<u>16,896,122</u>	<u>18,922,170</u>

The following schedule summarizes the investment return in the statements of activities for the years ended July 31, 2022 and 2021.

	2022	2021
	\$	\$
Interest and dividends, net of fees of 2022-\$60,083; 2021-\$51,978	660,358	427,549
Net realized gain in investments	105,445	209,042
Net unrealized gain (loss) in investments	(2,632,620)	1,173,504
<u>Total</u>	<u>(1,866,817)</u>	<u>1,810,095</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;

Mennonite Disaster Service

Notes to Financial Statements

Note 6 – Fair Value Measurements – Continued

- 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, 2022 and 2021, 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>2022</u>				
Mutual funds:				
Bond funds	13,105,050			13,105,050
Large cap	2,839,907			2,839,907
Mid cap	363,534			363,534
Small cap	460,272			460,272
International	1,566,701			1,566,701
Real estate	621,209			621,209
Tactical	763,841			763,841
Money market funds	33,634			33,634
<u>Total Assets at Fair Value</u>	<u>19,754,148</u>	<u>0</u>	<u>0</u>	<u>19,754,148</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>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>

Mennonite Disaster Service

Notes to Financial Statements

Note 6 – Fair Value Measurements – Continued

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.

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, 2022 and 2021.

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, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
	\$	\$
Office equipment	518,873	462,405
Vehicles and equipment	5,961,703	5,325,499
Land and building	4,583,200	3,951,517
Construction in progress	273,967	23,958
Total cost	<u>11,337,743</u>	<u>9,763,379</u>
Less accumulated depreciation	<u>5,743,591</u>	<u>4,963,517</u>
<u>Total</u>	<u><u>5,594,152</u></u>	<u><u>4,799,862</u></u>

Depreciation charged to expense during the years ended July 31, 2022 and 2021 totaled \$840,940 and \$830,780, 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, 2022 and 2021 were available for the following purposes:

	<u>2022</u>	<u>2021</u>
	\$	\$
Scholarships	90,098	90,098
Organizational development	5,300	5,300
Legacy Fund - donor restricted	86,682	86,642
Disaster recovery programs	<u>2,901,483</u>	<u>2,422,075</u>
<u>Total Net Assets With Donor Restrictions</u>	<u>3,083,563</u>	<u>2,604,115</u>

Net assets were released from donor restrictions for the years ended July 31, 2022 and 2021 by satisfying the purpose restrictions specified by donors as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Disaster recovery equipment	5,000	77,231
Disaster recovery programs	3,185,151	4,688,540
Legacy Fund - donor restricted	<u>4,045</u>	<u>4,045</u>
<u>Total Net Assets Released from Donor Restrictions</u>	<u>3,190,151</u>	<u>4,769,816</u>

Net assets without donor restrictions included the following amounts designated by board action as of July 31, 2022 and 2021 and thus are not available for current operations.

	<u>2021</u>	<u>2020</u>
	\$	\$
Legacy Fund - board designated	<u>7,605,688</u>	<u>5,462,027</u>
<u>Total</u>	<u>7,605,688</u>	<u>5,462,027</u>

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 \$24,788 and \$10,985 for the years ended July 31, 2022 and 2021, respectively. Total amount received from MDS Canada were \$8,340 and \$14,190 for the years ended July 31, 2022 and 2021, respectively. At July 31, 2022 and 2021, \$3,556 and \$0, respectively, was receivable from MDS Canada.

Contributions received on the behalf of and forwarded to local units during the years ended July 31, 2022 and 2021 were \$232,106 and \$206,467, respectively.

Mennonite Disaster Service

Notes to Financial Statements

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>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	1,876,225	1,266,679
Reimbursements receivable	152,124	357,912
Promises to give	575,000	575,000
Investments	<u>19,754,148</u>	<u>18,922,170</u>
Total financial assets available within one year	22,357,497	21,121,761
Less those unavailable for general expenditures within one year:		
Custodian accounts	538,446	541,443
Restricted by donor with purpose restrictions	3,083,563	2,604,115
Amounts reserved by board action	<u>7,605,688</u>	<u>5,462,027</u>
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u><u>11,129,800</u></u>	<u><u>12,514,176</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.

Note 12 – Contributed Nonfinancial Assets

For the years ended July 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities include:

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
Buildings	635,366	
Construction in progress	13,793	
Services	85,270	61,043
Supplies		6,895
Utilities		7,394
Vehicles	<u>8,000</u>	<u>9,000</u>
<u>Total</u>	<u><u>742,429</u></u>	<u><u>84,332</u></u>

Mennonite Disaster Service

Notes to Financial Statements

Note 12 – Contributed Nonfinancial Assets – Continued

The Organization recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The Organization records all in-kind donations based on the current market value available at the time of the donation. Market value for residential properties is estimated based on expected selling price. Market values for all other contributed nonfinancial assets are estimated based on the price to purchase similar products or services.

Contributed residential properties are monetized, while all other donated in-kind are utilized within the Organization.

Note 13 - Subsequent Event

Subsequent to July 31, 2022, market and macroeconomic factors caused a significant decline in the stock and mutual funds markets. Due to the decline, the value of the Organization's investments have also decreased. Based on historical information and the operational needs of the Organization, the realization of any significant losses is uncertain; however, the related financial statement impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

Mennonite Disaster Service

CONTRIBUTIONS WITH DONOR RESTRICTIONS DETAIL
Years Ended July 31, 2022 and 2021
See Independent Auditor's Report

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
RESTRICTED CONTRIBUTIONS		
2021 December tornadoes	1,134,677	
Bayou Community Foundation grants	659,094	
California warehouse	600,000	
Eastern Ohio warehouse	266,264	
California wildfires	217,965	90,472
Hurricane Laura	177,225	253,328
Center for Disaster Philanthropy grant	175,000	
Welcoming the Newcomer	140,000	
Hurricane Ida	122,118	
West Virginia bridges	54,603	36,200
Other projects and equipment	36,230	12,050
Hurley, VA floods	27,873	
2020 Hurricanes	15,000	39,000
Mississippi flooding	11,400	
Border crisis	9,100	75,300
West Coast wildfires	6,620	15,360
Vehicles	5,000	68,078
Hurricane Harvey	4,740	792,065
Hurricane Maria	3,500	16,400
Grants for tools and equipment	3,075	4,386
Pine Ridge, SD	75	100,450
Legacy fund	40	
Margaret Cargill Philanthropies grant		1,000,000
PA drought		248,928
Texas freeze		182,985
COVID-19 funding		93,271
McKinley wildfires		75,855
New York Bruderhof Communities		50,000
2020 Midwest storms		12,387
Hurricane Sally		11,030
Tennessee tornadoes		200
<u>Total Restricted Contributions</u>	<u>3,669,599</u>	<u>3,177,745</u>

Mennonite Disaster Service

**PROGRAM EXPENSES DETAIL
Years Ended July 31, 2022 and 2021
See Independent Auditor's Report**

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
PROGRAM EXPENSES		
Disaster Recovery		
Dulac, LA Storm Aid	911,597	
Salaries and benefits	828,055	708,161
California wildfires	626,189	200,719
Region project support	615,637	448,208
Hurricane Laura	476,638	90,298
Hurricane Harvey	370,640	2,334,480
General support	367,074	348,272
Mayfield, KY	360,517	
Vehicle expense	298,280	287,279
West Virginia bridges	292,080	90,879
Laurel, MS ACTS	266,564	
Okanogan, WA	258,952	
Warehouses	252,206	161,151
Lake Charles, LA	241,434	
Crisfield, MD	207,417	
Pine Ridge, SD	100,456	135,588
Hurricane Maria	90,959	152,730
Marinna RV	57,760	
Breathitt, KY	56,739	
PA drought	50,000	413,826
Darby, PA	45,477	
2020 Hurricanes	38,291	7,084
Grand Lake, CO	29,618	
Other responses	27,121	12,132
Hurley, VA	21,413	
Welcoming the Newcomer	20,000	
Border crisis	19,080	173,263
Hurricane Ida	17,418	
2018 Hurricanes	8,587	754,259
Partnership home	187	33,342
Alaska wildfires		179,670
Texas freeze		103,812
COVID-19 congregational support		90,546
2019 Hurricanes		64,124
Puerto Rico earthquakes		5,496
Hurricane Sally		3,845
West Virginia flooding		10,045
Total Disaster Recovery	<u>6,956,386</u>	<u>6,809,209</u>
Volunteer Development	<u>596,842</u>	<u>426,084</u>
<u>Total Program Expenses</u>	<u><u>7,553,228</u></u>	<u><u>7,235,293</u></u>