

Mennonite Disaster Service

Financial Report

July 31, 2023



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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 audits were 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 stated in all material respects in relation to the financial statements as a whole.



Simon Lever LLC
Lititz, PA

November 2, 2023

FINANCIAL STATEMENTS

Mennonite Disaster Service

STATEMENTS OF FINANCIAL POSITION
July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
ASSETS		
Cash and cash equivalents	1,456,410	1,876,225
Reimbursements receivable	168,659	152,124
Promises to give		575,000
Investments	18,523,832	19,754,148
Property and equipment, less accumulated depreciation of 2023-\$6,448,339; 2022-\$5,743,591	6,391,834	5,594,152
Other assets	294,784	360,154
Collection item (Note 8)		
<u>TOTAL ASSETS</u>	<u>26,835,519</u>	<u>28,311,803</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	207,488	187,891
Advances	122,501	48,400
Accrued expenses	286,601	242,786
Custodian accounts	538,113	538,446
Total Liabilities	<u>1,154,703</u>	<u>1,017,523</u>
NET ASSETS		
Without donor restrictions:		
Designated by board action	7,749,501	7,605,688
Undesignated	15,317,832	16,605,029
Total net assets without donor restrictions	<u>23,067,333</u>	<u>24,210,717</u>
With donor restrictions	<u>2,613,483</u>	<u>3,083,563</u>
Total Net Assets	<u>25,680,816</u>	<u>27,294,280</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>26,835,519</u>	<u>28,311,803</u>

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENT OF ACTIVITIES
Year Ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions			
Without donor restrictions	6,049,014		6,049,014
Bequests and estates	1,341,696		1,341,696
Contributed nonfinancial assets	199,722		199,722
With donor restrictions		3,913,902	3,913,902
Total Contributions	<u>7,590,432</u>	<u>3,913,902</u>	<u>11,504,334</u>
Investment income	172,573		172,573
Gain on sale of property and equipment	52,429		52,429
Other income	28,893		28,893
Net assets released from restrictions	<u>4,383,982</u>	<u>(4,383,982)</u>	
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>12,228,309</u>	<u>(470,080)</u>	<u>11,758,229</u>
EXPENSES			
Program			
Disaster recovery	10,576,378		10,576,378
Volunteer development	745,839		745,839
Total Program Expenses	<u>11,322,217</u>		<u>11,322,217</u>
Supporting Activities	1,702,271		1,702,271
Fundraising	<u>347,205</u>		<u>347,205</u>
TOTAL EXPENSES	<u>13,371,693</u>		<u>13,371,693</u>
Changes in Net Assets	(1,143,384)	(470,080)	(1,613,464)
Net Assets at Beginning of Year	<u>24,210,717</u>	<u>3,083,563</u>	<u>27,294,280</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>23,067,333</u>	<u>2,613,483</u>	<u>25,680,816</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

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended July 31, 2023 and 2022

	Year Ended July 31, 2023				Total Functional Expenses
	Program- Disaster Recovery	Program- Volunteer Development	Supporting Activities	Fundraising Activities	
	\$	\$	\$	\$	
Project site expenses					
Volunteer support	946,821				946,821
Site occupancy	490,723				490,723
Vehicle operations	1,368,755	6,831	9,810		1,385,396
Project start up/close down	250,713				250,713
Project supplies	28,149				28,149
Project equipment	163,410				163,410
Client materials	5,213,239				5,213,239
Volunteer travel	743,532				743,532
Volunteer development		150,663			150,663
Salaries and benefits	963,572	483,025	827,333	203,118	2,477,048
Occupancy	88,173	39,774	172,367	40,238	340,552
Administration	180,599	50,883	585,117	3,394	819,993
Communications	138,692	14,663	54,260	73,113	280,728
Fundraising				27,342	27,342
Board related			53,384		53,384
TOTAL	10,576,378	745,839	1,702,271	347,205	13,371,693

	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

See Notes to Financial Statements

Mennonite Disaster Service

STATEMENTS OF CASH FLOWS
Years Ended July 31, 2023 and 2022

	2023	2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	(1,613,464)	1,916,236
Noncash items included in changes in net assets:		
Depreciation	804,979	840,940
Gain on disposition of property and equipment	(52,429)	(4,303)
Contributed property and equipment received	(144,279)	(657,159)
Realized (gain) loss on investments	420,527	(105,445)
Unrealized loss on investments	47,269	2,632,620
Change in assets and liabilities:		
Reimbursements receivable	(16,535)	205,788
Promises to give	575,000	
Other assets	65,370	(27,217)
Accounts payable	19,597	76,929
Advances	74,101	48,400
Accrued expenses	43,815	18,675
Custodian accounts	(333)	(2,997)
Net Cash Provided by Operating Activities	223,618	4,942,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,435,711)	(6,148,529)
Proceeds from sale of investments	10,198,230	2,789,377
Purchase of property and equipment	(1,502,292)	(1,579,472)
Proceeds from sale of property and equipment	96,340	605,703
Net Cash Used in Investing Activities	(643,433)	(4,332,921)
Net Change in Cash and Cash Equivalents	(419,815)	609,546
CASH AND CASH EQUIVALENTS		
Beginning	1,876,225	1,266,679
Ending	1,456,410	1,876,225
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Contributed property and equipment received	144,279	657,159

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 (\$17,500 per covered person for the period ended July 31, 2023). 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 \$267,500. The total reserve fund owned by the Organization as of July 31, 2023 and 2022 was \$90,328 and \$151,904, 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, 2023 and 2022, the amount charged to expense for the Organization's pension plan was \$80,376 and \$68,724, 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 \$199,540 and \$180,636 for the years ended July 31, 2023 and 2022, respectively.

Subsequent Events – Events that occurred subsequent to July 31, 2023 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

Pronouncements issued by the Financial Accounting Standards Board (FASB) with future effective dates are either not applicable or are not expected to be significant to the Organization's financial statements.

Note 3 – Cash and Cash Equivalents

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

Note 4 – Promises to Give

Unconditional promises to give at July 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
MACP Disaster Ready		<u>575,000</u>
<u>Total</u>	<u>0</u>	<u>575,000</u>

There was no allowance for uncollectible promises to give for the years ended July 31, 2023 and 2022.

Mennonite Disaster Service

Notes to Financial Statements

Note 5 – Investments

Investments at July 31, 2023 and 2022 are comprised of the following:

	2023		2022	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Equities				
Consumer discretionary	243,399	282,200		
Consumer staples	172,538	184,053		
Energy	130,505	149,020		
Financials	256,282	288,909		
Health care	245,070	265,382		
Industrials	163,735	188,587		
Information tech	760,287	1,008,491		
Materials	19,376	21,464		
Real estate - non rental	8,755	9,247		
Real estate - rental	21,963	24,332		
REIT	19,307	19,431		
Telecom services	54,614	54,579		
Utilities	40,812	40,652		
Materials - international	18,669	21,878		
Mutual funds				
Bond funds	13,376,960	12,201,676	14,090,629	13,105,050
Large cap			2,574,876	2,839,907
Mid cap	299,325	311,466	322,000	363,534
Small cap	303,200	321,432	399,426	460,272
International	1,397,741	1,495,294	1,583,010	1,566,701
Real estate	802,763	774,851	567,456	621,209
Tactical	85,306	85,426	808,084	763,841
Money market funds	685,090	775,462	5,614	33,634
<u>Total Investments</u>	<u>19,105,697</u>	<u>18,523,832</u>	<u>20,351,095</u>	<u>19,754,148</u>

The following schedule summarizes the investment return in the statements of activities for the years ended July 31, 2023 and 2022.

	2023	2022
	\$	\$
Interest and dividends, net of fees of 2023-\$58,853; 2022-\$60,083	640,369	660,358
Net realized gain (loss) in investments	(420,527)	105,445
Net unrealized loss in investments	(47,269)	(2,632,620)
<u>Total</u>	<u>172,573</u>	<u>(1,866,817)</u>

Notes to Financial Statements

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.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2023 and 2022, respectively:

Mennonite Disaster Service

Notes to Financial Statements

Note 6 – Fair Value Measurements – Continued

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>2023</u>				
Equities:				
Consumer discretionary	282,200			282,200
Consumer staples	184,053			184,053
Energy	149,020			149,020
Financials	288,909			288,909
Health care	265,382			265,382
Industrials	188,587			188,587
Information tech	1,008,491			1,008,491
Materials	21,464			21,464
Real estate - non rental	9,247			9,247
Real estate - rental	24,332			24,332
REIT	19,431			19,431
Telecom services	54,579			54,579
Utilities	40,652			40,652
Materials - international	21,878			21,878
Mutual funds:				
Bond funds	12,201,676			12,201,676
Mid cap	311,466			311,466
Small cap	321,432			321,432
International	1,495,294			1,495,294
Real estate	774,851			774,851
Tactical	85,426			85,426
Money market funds	775,462			775,462
<u>Total Assets at Fair Value</u>	<u>18,523,832</u>	<u>0</u>	<u>0</u>	<u>18,523,832</u>

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<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>

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, 2023 and 2022.

Equities: Valued at quoted market prices which represents the fair value of shares held by the Organization at year-end.

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

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

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, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Office equipment	555,363	518,873
Vehicles and equipment	6,870,281	5,961,703
Land and building	4,889,688	4,583,200
Construction in progress	524,841	273,967
Total cost	<u>12,840,173</u>	<u>11,337,743</u>
Less accumulated depreciation	<u>6,448,339</u>	<u>5,743,591</u>
<u>Total</u>	<u><u>6,391,834</u></u>	<u><u>5,594,152</u></u>

Depreciation charged to expense during the years ended July 31, 2023 and 2022 totaled \$804,979 and \$840,940, 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, 2023 and 2022 were available for the following purposes:

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Scholarships	90,098	90,098
Organizational development		5,300
Legacy Fund - donor restricted		86,682
Disaster recovery programs	<u>2,523,385</u>	<u>2,901,483</u>
<u>Total Net Assets With Donor Restrictions</u>	<u>2,613,483</u>	<u>3,083,563</u>

Net assets were released from donor restrictions for the years ended July 31, 2023 and 2022 by satisfying the purpose restrictions specified by donors as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Organizational development	5,300	
Disaster recovery equipment	65,516	5,000
Disaster recovery programs	4,226,484	3,185,151
Legacy Fund - donor restricted	<u>86,682</u>	
<u>Total Net Assets Released from Donor Restrictions</u>	<u>4,383,982</u>	<u>3,190,151</u>

Net assets without donor restrictions included the following amounts designated by board action as of July 31, 2023 and 2022 and thus are not available for current operations.

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Legacy Fund - board designated	<u>7,749,501</u>	<u>7,605,688</u>
<u>Total</u>	<u>7,749,501</u>	<u>7,605,688</u>

Note 10 – Affiliates

Mennonite Disaster Service Canada is a supporting organization that serves as 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 \$21,611 and \$24,788 for the years ended July 31, 2023 and 2022, respectively. Total amount received from MDS Canada were \$3,455 and \$8,340 for the years ended July 31, 2023 and 2022, respectively. At July 31, 2023 and 2022, \$8,875 and \$3,556, respectively, was receivable from MDS Canada.

Contributions received on the behalf of and forwarded to local units during the years ended July 31, 2023 and 2022 were \$249,406 and \$232,106, 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>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	1,456,410	1,876,225
Reimbursements receivable	168,659	152,124
Promises to give		575,000
Investments	<u>18,523,832</u>	<u>19,754,148</u>
Total financial assets available within one year	20,148,901	22,357,497
Less those unavailable for general expenditures within one year:		
Custodian accounts	538,113	538,446
Restricted by donor with purpose restrictions	2,613,483	3,083,563
Amounts reserved by board action	<u>7,749,501</u>	<u>7,605,688</u>
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u>9,247,804</u>	<u>11,129,800</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, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities include:

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Buildings	10,279	635,366
Construction in progress		13,793
Repairs and maintenance	1,380	
Services	38,294	85,270
Supplies	15,769	
Vehicles	<u>134,000</u>	<u>8,000</u>
<u>Total</u>	<u>199,722</u>	<u>742,429</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.

SUPPLEMENTARY INFORMATION

Mennonite Disaster Service

CONTRIBUTIONS WITH DONOR RESTRICTIONS DETAIL
Years Ended July 31, 2023 and 2022
See Independent Auditor's Report

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
RESTRICTED CONTRIBUTIONS		
Bayou Community Foundation grants	1,511,888	659,094
Eastern KY	599,252	350
California wildfires	457,979	217,965
Hurricane Laura	354,000	177,225
Hurricane Ian	326,832	
Red Lake Volunteer Center Grant	157,000	
Grants for tools and equipment	100,291	3,075
Hurley, VA floods	102,400	27,873
Other projects and equipment	79,088	86,355
Vehicles	65,516	5,000
Spring tornadoes	35,463	
California warehouse	30,000	600,000
Juniata drought relief	29,299	
Hurley, VA	27,597	
Eastern Ohio warehouse	16,930	266,264
West Virginia bridges	10,791	54,603
2021 December tornadoes	5,727	1,134,677
Welcoming the Newcomer	3,295	140,000
Hurricane Ida	554	122,118
Center for Disaster Philanthropy grant		175,000
<u>Total Restricted Contributions</u>	<u>3,913,902</u>	<u>3,669,599</u>

Mennonite Disaster Service

**PROGRAM EXPENSES DETAIL
Years Ended July 31, 2023 and 2022
See Independent Auditor's Report**

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
PROGRAM EXPENSES		
Disaster Recovery		
Hurricane Ida		
Dulac, LA Storm Aid	1,849,141	911,597
Grand Isle, LA	67,178	
Kenner, LA		17,418
Salaries and benefits	963,572	828,055
Border crisis - La Posada Providencia	918,981	19,080
Region project support	874,447	615,637
California wildfires - Paradise, CA	671,314	626,189
Hurricane Laura		
Lake Charles, LA	651,973	241,434
Jennings, LA	570,766	476,638
Welsh, LA	174,001	
Hurley, VA	537,552	21,413
General support	443,267	367,074
Mayfield, KY	383,727	360,517
Red Lake, MN	344,941	
Crisfield, MD	302,539	207,417
Eastern KY	286,771	
McAllen, TX	272,058	205,402
Arcadia	236,524	
Warehouses	238,200	252,206
Bastrop, TX	166,389	
Dawson Springs, KY	105,085	
West Virginia bridges	96,673	292,080
Vehicle expense	95,456	298,280
PHP home	84,286	187
Other responses	84,253	60,326
Pine Ridge, SD	63,978	100,456
PA drought	50,000	50,000
Darby, PA	17,151	45,477
Hurricane Maria	15,476	90,959
Okanogan, WA	10,679	258,952
Laurel, MS ACTS		264,718
Hurricane Harvey		
Coastal Bend, TX		134,511
Woodsboro, TX		30,727
Marianna, FL		57,760
Breathitt, KY		56,739
2020 Hurricanes		36,550
Welcoming the Newcomer		20,000
2018 Hurricanes		8,587
Total Disaster Recovery	<u>10,576,378</u>	<u>6,956,386</u>
Volunteer Development	<u>745,839</u>	<u>596,842</u>
<u>Total Program Expenses</u>	<u><u>11,322,217</u></u>	<u><u>7,553,228</u></u>