

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
International Disaster Emergency Service, Inc.  
Noblesville, IN

We have audited the accompanying financial statements of International Disaster Emergency Service, Inc. (IDES) (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Disaster Emergency Service, Inc. as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As of January 1, 2019, IDES has adopted FASB ASU 2014-09. Revenue from Contracts with Customers and FASB ASU 2016-01. Financial Instruments. These adoptions affected the recording of and expanded disclosures related to revenue and equity investments. See Note 1 for the effect of these adoptions on these financial statements. Our opinion is not modified with respect to these matters.

  
Yount and Company, LLC

March 4, 2020  
Indianapolis, Indiana

Statements of Financial Position

	December 31	
	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents--note 1 and 10	\$2,944,983	\$3,022,396
Miscellaneous receivable	5,000	-
Prepaid expenses	45,252	45,821
Inventory--notes 1 and 9	108,430	84,028
Property and equipment--net--notes 1 and 3	1,272,677	1,155,873
Charitable gift annuities--notes 1, 4, and 6	195,108	157,277
Endowment investments--notes 5 and 6	1,222,949	798,035
	<u>\$5,794,399</u>	<u>\$5,263,430</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 23,704	\$ 21,396
Accrued payroll and payroll taxes	38,277	32,145
Grants payable--note 1	287,144	171,668
Annuity payable--note 4	92,082	75,016
	<u>441,207</u>	<u>300,225</u>
<u>NET ASSETS</u>		
Without Donor Restrictions:		
Undesignated	3,354,991	3,039,715
Board-designated Endowment assets--note 5	972,846	547,932
With Donor Restrictions:		
Program restricted--notes 1 and 9	775,252	1,125,455
Endowment assets--notes 1 and 5	250,103	250,103
	<u>5,353,192</u>	<u>4,963,205</u>
	<u>\$5,794,399</u>	<u>\$5,263,430</u>

See Independent Auditors' report and accompanying "Notes to Financial Statements"

Statement of Activities

	Year Ended December 31, 2019			Total
	Without Donor Restrictions	With Donor Restrictions		
		Program Restricted	Endowment Assets	
<u>Revenue and Support:</u>				
Contributions	\$3,426,351	\$1,718,891		\$5,145,242
Interest and dividends:				
General	54,406			54,406
Endowment	36,053			36,053
Gain on sale of investments	22,847			22,847
Net unrealized gains on investments	100,841			100,841
(Loss) on asset disposal	(23,497)			( 23,497)
	3,617,001	1,718,891		5,335,892
Net assets released from restriction	2,069,094	(2,069,094)		- - -
	5,686,095	( 350,203)		5,335,892
<u>Program Services Expense:</u>				
Hunger	489,281			489,281
Disasters	2,140,792			2,140,792
Development Projects	401,773			401,773
Medical Emergency	169,970			169,970
Evangelism	137,917			137,917
God Always PROVIDES	184,766			184,766
Harvest/Hunger	178,256			178,256
Total Program Projects	3,702,755			3,702,755
Program Operation Services	415,971			415,971
	4,118,726			4,118,726
<u>Supporting Services:</u>				
Fundraising	336,027			336,027
Administrative and general	491,152			491,152
	827,179			827,179
	4,945,905			4,945,905
<u>Change in Net Assets</u>	740,190	( 350,203)	- - -	389,987
<u>Net Assets, Beginning of Year</u>	3,587,647	1,125,455	250,103	4,963,205
<u>Net Assets, End of Year</u>	\$4,327,837	\$ 775,252	\$250,103	\$5,353,192

See Independent Auditors' report and accompanying "Notes to Financial Statements"

Statement of Activities

	Year Ended December 31, 2018			Total
	Without Donor Restrictions	With Donor Restrictions Program Restricted	Endowment Assets	
<u>Revenue and Support:</u>				
Contributions	\$2,598,693	\$2,287,555		\$4,886,248
Interest and dividends:				
General	35,940			35,940
Endowment	49,947			49,947
Gain on sale of investments	16,676			16,676
Net unrealized (losses) on investments	( 89,563)			( 89,563)
Gain on asset disposal	48,638			48,638
	2,660,331	2,287,555		4,947,886
Net assets released from restriction	3,245,180	(3,245,180)		---
	5,905,511	( 957,625)		4,947,886
<u>Program Services Expense:</u>				
Hunger	396,705			396,705
Disasters	2,740,821			2,740,821
Development Projects	507,678			507,678
Medical Emergency	154,758			154,758
Evangelism	82,810			82,810
God Always ProVIDES	204,194			204,194
Harvest/Hunger	174,883			174,883
Total Program Projects	4,261,849			4,261,849
Program Operation Services	421,508			421,508
	4,683,357			4,683,357
<u>Supporting Services:</u>				
Fundraising	303,966			303,966
Administrative and general	488,163			488,163
	792,129			792,129
	5,475,486			5,475,486
<u>Change in Net Assets</u>	430,025	( 957,625)	---	( 527,600)
<u>Net Assets, Beginning of Year</u>	3,157,622	2,083,080	250,103	5,490,805
<u>Net Assets, End of Year</u>	\$3,587,647	\$1,125,455	\$250,103	\$4,963,205

See Independent Auditors' report and accompanying "Notes to Financial Statements"

Statement of Functional ExpensesYear ended December 31, 2019

	Program Services		Support		Total Expenses
	Program Projects	Program Operation	Fundraising	Administrative and General	
Financial assistance	\$3,702,755				\$3,702,755
Salaries		\$282,277	\$195,592	\$209,602	687,471
Payroll taxes		20,197	14,280	15,282	49,759
Health insurance		56,752	54,244	55,939	166,935
Fringe benefits		12,820	10,430	18,115	41,365
Insurance				8,043	8,043
Depreciation				91,332	91,332
Promotion		28,911			28,911
Postage			18,471	6,157	24,628
Printing			17,474	7,303	24,777
Travel-staff			6,041		6,041
Telephone		2,146	2,146	1,073	5,365
Utilities		6,237	6,237	3,117	15,591
Office expense				8,793	8,793
Building maintenance				22,267	22,267
Audit expense				14,550	14,550
Director expense				1,397	1,397
Development expense				26,251	26,251
Capital campaign			1,405		1,405
Training		1,944		2,020	3,964
Vehicle expense			9,707		9,707
Volunteers and other		4,687		( 89)	4,598
Total expenses	<u>\$3,702,755</u>	<u>\$415,971</u>	<u>\$336,027</u>	<u>\$491,152</u>	<u>\$4,945,905</u>

See Independent Auditors' report and accompanying "Notes to Financial Statements"

Statement of Functional ExpensesYear ended December 31, 2018

	Program Services		Support		Total Expenses
	Program Projects	Program Operation	Fundraising	Administrative and General	
Financial assistance	\$4,261,849				\$4,261,849
Salaries		\$297,584	\$178,200	\$204,965	680,749
Payroll taxes		21,512	13,428	15,001	49,941
Health insurance		58,757	50,086	54,662	163,505
Fringe benefits		5,765	7,027	12,387	25,179
Insurance				5,099	5,099
Depreciation				104,757	104,757
Promotion		27,836			27,836
Postage			11,728	3,909	15,637
Printing			15,506	6,792	22,298
Travel-staff			7,602		7,602
Telephone		1,935	1,935	966	4,836
Utilities		6,031	6,031	3,016	15,078
Office expense				13,482	13,482
Building maintenance				18,773	18,773
Audit expense				14,230	14,230
Director expense				2,485	2,485
Development expense				24,162	24,162
Capital campaign			5,196		5,196
Training		922	1,231	3,441	5,594
Vehicle expense			5,996		5,996
Volunteers and other		1,166		36	1,202
Total expenses	\$4,261,849	\$421,508	\$303,966	\$488,163	\$5,475,486

See Independent Auditors' report and accompanying "Notes to Financial Statements"



Statements of Cash Flows

	Year Ended	
	December 31	
	2019	2018
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 389,987	\$( 527,600)
Adjustments to reconcile increase (decrease) in net assets to net cash (used) provided by operating activities:		
Depreciation	91,332	104,757
Book value of asset disposal	25,498	52,862
Endowment contributions	(336,125)	( 1,387)
Endowment payments to operations	45,250	33,643
Unrealized loss (gain) on investments including reinvested income	(249,424)	55,554
Present value of annuities	( 15,755)	38,196
Change in:		
Other receivables	( 5,000)	1,148
Prepaid expenses	569	( 21,170)
Inventory	( 24,402)	34,402
Accounts payable	2,308	( 24,643)
Grants payable	115,476	( 122,317)
Accrued payroll	6,132	3,602
Net cash provided (used) by operating activities	<u>45,846</u>	<u>( 372,953)</u>
<u>Cash Flows From Investing Activities:</u>		
(Purchases) of investments	( 20,053)	( 225,516)
Proceeds from sale of investments	122,066	56,492
(Purchases) of property and equipment	(233,634)	( 78,952)
Annuity contributions (surrendered)	16,903	100,000
Annuity (payments)	( 8,541)	( 4,636)
Net cash (used) by investing activities	<u>(123,259)</u>	<u>( 152,612)</u>
<u>Cash Flows From Financing Activities:</u>		
Notes receivable proceeds	---	21,803
Net cash provided by financing activities	<u>---</u>	<u>21,803</u>
<u>Net (Decrease) in Cash and Cash Equivalents</u>	<u>( 77,413)</u>	<u>( 503,762)</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>3,022,396</u>	<u>3,526,158</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$2,944,983</u>	<u>\$3,022,396</u>
Supplemental disclosures:		
Recorded donated services	\$ ---	\$ ---
Recorded donated property and equipment	\$ ---	\$ ---
Interest paid	\$ ---	\$ ---

See Independent Auditors' report and accompanying "Notes to Financial Statements"

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

(See Independent Auditors' Report)

NOTE 1--Nature of Operations and Summary of Significant Accounting Policies

International Disaster Emergency Service, Inc. (IDES) exists to meet physical and spiritual needs of suffering people throughout the world in the name of Jesus Christ. IDES accomplishes this by funding relief operations for natural disaster, hunger, medical needs, and developmental projects in the United States and foreign countries. IDES is a mission outreach of Christian Churches and Churches of Christ.

**Basis of Accounting--**The financial statements of IDES have been prepared on the accrual basis of accounting.

**Basis of Presentation--**The financial statement presentation follows the requirements of the Financial Accounting Standards Board FASB ASU 16-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Under this standard, IDES is required to report information regarding its financial position and activities according to two classes of net assets. All restrictions are determined by the donor of the asset.

**Net Assets Without Donor Restrictions--**Net asset class includes general and Board-designated assets and liabilities. These unrestricted net assets may be used at the discretion of management to support IDES' purposes and operations.

**Net Assets With Donor Restrictions--**Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions includes endowment assets.

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606 (ASU 2014-09), *Revenue from Contracts with Customers*. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. IDES adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective approach. The difference to revenue and previously reported account balances at December 31, 2018, under the new guidance as opposed to the prior revenue recognition guidance was determined to be immaterial. Accordingly, no adjustment to beginning net assets was necessary.

The Financial Accounting Standards Board also issued guidance ASU 2016-01 with clarification in ASU 2018-03 for *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance requires, among other things, to record equity investments at fair value. IDES adopted the requirements of this guidance as of January 1, 2019. Since IDES has been recording its equity investments at fair value and has no investments without a readily determined value, the difference to revenue and previously reported account balances at December 31, 2018 under the new guidance as opposed to the prior revenue recognition guidance was determined to be immaterial. Accordingly, no adjustment to net assets was necessary. See note 6 for Fair Value Measurements.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 1--Nature of Operations and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents--For purposes of the statements of cash flows, IDES considers all investments purchased with a maturity of three months or less to be cash equivalents. Cash and high-liquid financial investments held in endowment funds or for other long-term purposes are excluded from this definition.

Inventory--Inventory is valued at lower of cost or market, with cost determined by the first in first out (FIFO) method. Inventory consists of supplies for building sheds for use under the Disaster Program and food and supplies for packages provided under the GAP Program (Notes 2 and 9). Inventory at December 31, 2019 and 2018 was \$108,430 and \$84,028, respectively.

Income Taxes--IDES is exempt for income taxes under Section 501(c)(3) of the United States Internal Revenue Code. IDES is not considered to be a private foundation. Therefore, no provision for income taxes is included in the financial statements.

IDES recognizes a tax position as a benefit only if it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the tax positions technical merits. At December 31, 2019, IDES did not recognize a benefit from any uncertain tax positions. It is difficult to predict the final timing and resolution of any particular uncertain tax positions. Based on IDES' assessment of many factors, including past experience and complex judgments about future events, IDES does not currently anticipate any significant changes in its uncertain tax positions over the next twelve months.

IDES may be subject to audit by federal, state, or local authorities in the areas of income taxes and the remittance of sales and use taxes. These audits include questioning the merits of the tax exempt status, unrelated business income and compliance with federal, state, and local tax laws. While IDES believes that it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the accrued position. Tax year 2016 and on are open for examination. IDES is currently not undergoing any income tax audits for any open year as of December 31, 2019.

Fair Value of Financial Instruments--The carrying value of IDES financial instruments approximates their estimated fair value. Actual fair value may differ from these estimates, and such differences could be considered material. See Note 6 regarding detail of Fair Value of Financial Instruments.

Charitable Gift Annuity--IDES has established a program under which donors may set up charitable gift annuities. Under charitable gift annuity contracts, IDES receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, any remaining liability is removed and recognized as income. At December 31, 2019 and 2018, IDES had nine and eight charitable gift annuities totaling \$195,108 and \$157,277, respectively. These charitable gift annuities have readily determinable fair value based on quoted prices in active markets and are recorded in the Statements of Financial Position. See Note 4 and Note 6.

Property and Equipment--Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. IDES capitalizes additions of equipment in excess of \$1,000 cost or fair value, if contributed.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 1--Nature of Operations and Summary of Significant Accounting Policies (continued)

Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 5 to 20 years. Expenditures for equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Support and Revenue--Gifts pursuant to unconditional promises to give are recognized as revenue in the period such promises are received. IDES reports gifts of cash and other assets as restricted support if received with donor restrictions for the purpose and/or time in which the support may be expended. When the donor's time restriction expires or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the related conditions are substantially met.

Donated Goods and Services--Contributions of donated noncash assets are recorded at their estimated fair values in the period received. IDES pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist with specific assistance programs, fundraising solicitations, and various other assignments. Contributions of donated services requiring specialized skills, which are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated goods and services were \$-0- and \$-0- for the years ended December 31, 2019 and 2018.

Grants Payable--Grants payable consists of amount of funds the Board of Directors has approved for projects and has sent a signed contract to the recipient but the funds have not yet been remitted to the recipient.

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. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. Management periodically evaluates its allocation method and revises it when necessary. General and supporting expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction for IDES.

Regular Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Long-Lived Assets--IDES evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed as of December 31, 2019.

Date of Management's Review--Subsequent events have been evaluated through March 4, 2020, which is the date the financial statements were available to be issued.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 2--Description of Program and Supporting Services

Hunger--IDES is committed to helping victims of malnutrition caused by poverty or disasters.

Disasters--IDES seeks to help victims of man-made or natural disasters by providing for their immediate basic needs and assisting them in rebuilding their lives.

Development Projects--Development projects are to empower people to not become dependent on IDES or other organizations to provide for their basic needs. It is a hand up and not just a handout.

Medical Emergency--IDES will provide medicines, medical equipment or supplies for temporary health clinics sponsored by a missionary or mission organization. In addition IDES attempts to assist missionaries or members of their immediate family to receive emergency medical treatment if they lack the financial resources.

Evangelism--IDES channels funds through Christian Church/Church of Christ missionaries and congregations to offer help (benevolent assistance) and hope (the saving message of Jesus Christ) to a hurting and lost world. All benevolent aid is given for the purpose of creating opportunities to share the Gospel of Jesus Christ.

God Always Provides--IDES' GAP program provides a "hands-on" opportunity for our supporters to help alleviate world hunger. Working with local sponsors to organize food packing events at churches, camps, conventions and other locations throughout the year. The local sponsors provide a location for the packing event, raise funds to cover the cost of the meals, and recruit sufficient volunteers to package the quantity of meals they have targeted. At a GAP event, volunteers work together to package nutritionally complete meals that have a shelf life of up to three years. The meals consist of rice, soy protein, dried vegetables, and a vitamin and mineral supplement. Each serving costs just 25 cents. That price includes all the ingredients, packaging, and the cost for shipping the meals to a developing country experiencing chronic hunger needs.

Harvest/Hunger--IDES uses all Harvest funds raised to alleviate spiritual and physical hunger in the name of Jesus Christ. The funds are raised by a variety of events and fundraisers held throughout the year, culminating in Harvest Day, which features sales of food and hand-crafted items made by individuals using their God-given talents.

NOTE 3--Property and Equipment

IDES' property and equipment at December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 68,600	\$ 68,600
Buildings and building improvements	1,177,720	1,052,365
Disaster equipment	284,334	284,334
Furniture and equipment	70,515	96,124
Vehicles	132,342	79,775
	<u>1,733,511</u>	<u>1,581,198</u>
Accumulated depreciation	<u>( 460,834)</u>	<u>( 425,325)</u>
	<u>\$1,272,677</u>	<u>\$1,155,873</u>

Depreciation expense was \$91,332 and \$104,757 for the years ended December 31, 2019 and 2018, respectively.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 4--Charitable Gift Annuities

Charitable gift annuity investments at December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Government and corporate bonds index funds	\$ 34,783	\$ 18,486
Common stock mutual funds	140,325	138,791
Money market funds	20,000	- - -
	<u>\$195,108</u>	<u>\$157,277</u>
 Annuity payable	 <u>\$ 92,082</u>	 <u>\$ 75,016</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 5,918	\$ 5,966
Realized gains	1,438	389
Unrealized gain	29,433	22,950
 Total investment return	 <u>\$ 36,789</u>	 <u>\$ 29,305</u>

During the year ended December 31, 2019 and 2018, respectively, \$20,000 and \$100,000 was contributed towards the gift annuities. During the years ended December 31, 2019 and 2018, respectively, \$8,541 and \$4,636 was disbursed to pay annual annuity payments

NOTE 5--Endowment Investments

IDES's endowment consists of funds established to support its operating expenses. Its endowment includes both donor-restricted funds, funds designated by the Board of Directors to function as endowments and cumulative earnings on endowment investments previously recognized as unrestricted revenue. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of IDES has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, IDES classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value or subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by IDES in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, IDES considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of IDES, and (7) IDES's investment policies.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 5--Endowment Investments (continued)

Investment Return Objectives, Risk Parameters and Strategies--IDES has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, IDES expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Standard Policy--IDES has a policy of appropriating for distribution each year, endowment fund earnings up to 5% of the endowments total value. Dividends are automatically included in this calculation. Capital gains can also be redeemed to reach the targeted distribution percentage. In establishing this policy, IDES considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. IDES expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 1% annually, which is consistent with IDES's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net assets composition by type of fund as of December 31 are as follows:

	2019			Total
	Without Donor Restrictions	With Donor Restrictions Program Restricted	Endowment Assets	
Donor-restricted and board-designated endowment funds	\$972,846	\$ - - -	\$250,103	\$1,222,949

  

	2018			Total
	Without Donor Restrictions	With Donor Restrictions Program Restricted	Endowment Assets	
Donor-restricted and board-designated endowment funds	\$547,932	\$ - - -	\$250,103	\$798,035

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 5--Endowment Investments (continued)

Changes in endowment net assets for the year ended December 31 are as follows:

	2019			Total
	Without	With Donor Restrictions		
	Donor Restrictions	Program Restricted	Endowment Assets	
Endowment net assets, beginning of year	\$547,932	\$ - - -	\$250,103	\$798,035
Investment return:				
Interest and dividends	37,720			37,720
Realized gains	21,409			21,409
Unrealized (losses) gains	74,910			74,910
Total investment return	134,039			134,039
Contributions received	336,125			336,125
Amounts appropriated for expenditure	(45,250)			(45,250)
Endowment net assets, end of year	<u>\$972,846</u>	<u>\$ - - -</u>	<u>\$250,103</u>	<u>\$1,222,949</u>
	2018			
	Without	With Donor Restrictions		Total
	Donor Restrictions	Program Restricted	Endowment Assets	
Endowment net assets, beginning of year	\$630,859	\$ - - -	\$250,103	\$880,962
Investment return:				
Interest and dividends	49,947			49,947
Realized gains	16,287			16,287
Unrealized (losses) gains	(116,905)			(116,905)
Total investment return	( 50,671)			( 50,671)
Contributions received	1,387			1,387
Amounts appropriated for expenditure	( 33,643)			( 33,643)
Endowment net assets, end of year	<u>\$547,932</u>	<u>\$ - - -</u>	<u>\$250,103</u>	<u>\$798,035</u>



INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 6--Fair Value Measurements

IDES has adopted Statement of Financial Accounting Standards FASB ASU 2016-01 with 2018-03 and FASB ASC 820-10, *Fair Value Measurements*.

FASB ASU 2016-01/2018-03 requires reporting of equity investments at fair value.

FASB ASC 820-10 clarifies the definition of fair value for financial reporting, establishes a three-tier hierarchy as a framework for measuring fair value which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and requires additional disclosures about the use of fair value measurements. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1--Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. In general, this level includes investments in mutual funds that are regularly traded on major exchanges.

Level 2--Quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. This level generally includes investments without significant restrictions with limited market activity and whose investments are classified as level 1 investments.

Level 3--Pricing inputs are unobservable for the asset or liability, which may include investments with significant restrictions, little or no market activity and whose investments are classified as primarily level 2 or 3 investments.

As required by the standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 6--Fair Value Measurements (continued)

	December 31, 2019			
	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Mutual funds				
Large-cap stocks	\$ 302,483	\$ 302,483		
Mid and small-cap stocks	113,567	113,567		
International stocks	63,600	63,600		
Government bonds	33,351	33,351		
Corporate bonds	326,463	326,463		
Money market and other	383,485	383,485		
Total endowment investments	<u>1,222,949</u>	<u>1,222,949</u>		
Charitable gift annuities:				
Mutual funds				
Large-cap stocks	70,945	70,945		
Mid and small-cap stocks	48,158	48,158		
Government and corporate bonds	34,783	34,783		
International	16,428	16,428		
Emerging markets	4,794	4,794		
Money market and other	20,000	20,000		
Total charitable gift annuities	<u>195,108</u>	<u>195,108</u>		
Total	<u>\$1,418,057</u>	<u>\$1,418,057</u>		

	December 31, 2018			
	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Mutual funds				
Large-cap stocks	\$320,165	\$320,165		
Mid-cap stocks	83,817	83,817		
International stocks	6,874	6,874		
Government bonds	24,552	24,552		
Corporate bonds	303,367	303,367		
Money market and other	59,260	59,260		
Total endowment investments	<u>798,035</u>	<u>798,035</u>		
Charitable gift annuities:				
Mutual funds				
Large-cap stocks	69,795	69,795		
Mid and small-cap stocks	52,636	52,636		
Government and corporate bonds	18,486	18,486		
International	16,360	16,360		
Total charitable gift annuities	<u>157,277</u>	<u>157,277</u>		
Total	<u>\$955,312</u>	<u>\$955,312</u>	<u>\$ - - -</u>	<u>\$ - - -</u>

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 7--Liquidity and Availability of Resources

IDES financial assets available within one year of the statement of financial position for unrestricted purposes are as follows:

	Year Ended December 31	
	2019	2018
Cash and cash equivalents	\$2,944,983	\$3,022,396
Miscellaneous receivable	5,000	- - -
Charitable gift annuities	195,108	157,277
Endowment assets	1,222,949	798,035
Total Financial Assets available within one year	4,368,040	3,977,708
Less: Amounts unavailable for unrestricted purposes due to donor restrictions and other:		
Annuity payable within one year	9,450	8,650
Restricted by donors with purpose restrictions	775,252	1,125,455
Restricted by donors to perpetuity	250,103	250,103
	1,034,805	1,384,208
Less: Amounts unavailable for unrestricted purposes without Board Approval:		
Board Designated Endowment assets	972,846	547,932
Grants payable	287,144	171,668
	1,259,990	719,600
Total financial assets available to management for unrestricted purposes within one year:	<u>\$2,073,245</u>	<u>\$1,873,900</u>

IDES' administrative and general expenses average \$500,000 over the past two years. Fundraising is \$300,000. With cash reserves the end of the year at \$2,073,245, the Board feels there is enough cash to cover operating expenses for the year. Future donations for specific projects or for unrestricted use are to be spent in the year of donation or in a future year.

NOTE 8--Retirement Plan

IDES has a 403(b) plan for those employees who meet the eligibility requirements set forth in the plan. Beginning after six months of employment with at least 20 hours per week of employment, IDES employees contribute 7.2% of their base pay; increasing to 9% beginning with year six of employment. Individuals may contribute additional funds up to the IRS limit at their discretion. There were no pension contributions by IDES for the years ended December 31, 2019 and 2018.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 9-- Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Disasters	\$461,350	\$775,026
Hunger	4,192	2,160
Development Projects	40,725	36,648
Medical Emergency	19,435	17,660
Evangelism	16,475	5,706
God Always PROVIDES	233,075	288,255
	<u>\$775,252</u>	<u>\$1,125,455</u>

Net Assets with donor restrictions consists of cash of \$666,822 and inventory of \$108,430 at December 31, 2019 and cash of \$1,041,427 and inventory of \$84,028 at December 31, 2018.

During the years ended December 31, 2019 and 2018, respectively, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Disasters	\$1,046,205	\$2,062,375
Hunger	179,995	250,389
Development Projects	252,771	366,147
Medical Emergency	46,419	80,981
Evangelism	22,668	30,464
God Always PROVIDES	278,528	263,970
Harvest/Hunger	178,255	171,418
Capital Campaign	64,253	19,436
Net assets released from restrictions		
by satisfaction of program restrictions	<u>\$2,069,094</u>	<u>\$3,245,180</u>

NOTE 10--Concentrations and Contingencies

It is the policy of IDES not to hold cash at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. On occasion IDES may exceed this limit.

Contributions received for the years ended December 31, 2019 and 2018, are virtually all from independent Christian and Church of Christ churches and individuals from those churches located throughout the United States. Contributions are on the uninformed basis with no commitment on behalf of the donor.

NOTE 11--Operating Lease

IDES had an operating lease for office equipment that was payable in monthly installments of \$123 through October, 2019. Rental expense for the years ended December 31, 2019 and 2018, was \$1,230 and \$1,478, respectively.