Mennonite Health Services d/b/a MHS Alliance and Subsidiary

Consolidated Financial Report
(Compiled)
December 31, 2018

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Contents

Independent Accountant's Compilation Report

To the Board of Directors
Mennonite Health Services
d/b/a MHS Alliance and Subsidiary
Goshen, Indiana

Management is responsible for the accompanying consolidated financial statements of Mennonite Health Services d/b/a MHS Alliance and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017 and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

Emphasis of a Matter
As discussed in Note 1 to the consolidated financial statements, in 2018, Mennonite Health Services d/b/a MHS Alliance and Subsidiary adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our report is not modified with respect to this matter.

Other Matter
The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagements. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

RSM US LLP

Elkhart, Indiana
April 29, 2019

Mennonite Health Services
d/b/a MHS Alliance and Subsidiary

Consolidated Statements Of Financial Position
December 31, 2018 and 2017
See Independent Accountant's Compilation Report

		2018		2017
Assets				
Current assets:				
Cash and cash equivalents	$	134,689	$	45,269
Investments		417,291		458,066
Receivables:				
Accounts and unbilled receivables		208,327		121,617
Related party		22,221		15,282
Pledges receivable		5,100		10,600
Prepaid expenses		7,536		4,404
Total current assets		795,164		655,238
Leasehold improvements and equipment, at depreciated cost		17,450		17,356
Investments restricted for long-term purposes		175,063		175,063
	$	987,677	$	847,657
Liabilities and Net Assets				
Current liabilities:				
Line of credit	$	25,000	$	100,000
Accounts payable		83,667		21,024
Accrued expenses		40,517		76,276
Deferred revenue		1,000		2,987
Total current liabilities		150,184		200,287
Net assets:				
Without donor restrictions		440,630		217,158
With donor restrictions		396,863		430,212
Total net assets		837,493		647,370
	$	987,677	$	847,657

See notes to consolidated financial statements.

Mennonite Health Services
d/b/a MHS Alliance and Subsidiary

Consolidated Statements Of Activities
Years Ended December 31, 2018 and 2017
See Independent Accountant's Compilation Report

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Consulting fees	$ 1,117,184	$ -	**$ 1,117,184**	$ 1,473,372	$ -	$ 1,473,372
Membership fees and programs	678,077	-	**678,077**	704,382	-	704,382
Conference fees	117,198	-	**117,198**	159,279	-	159,279
Investment (loss) income	(14,429)	(26,324)	**(40,753)**	23,337	42,243	65,580
Other	4,244	1,500	**5,744**	4,315	-	4,315
Net assets released from purpose restrictions	8,525	(8,525)	**-**	2,771	(2,771)	-
Total support and revenue	1,910,799	(33,349)	**1,877,450**	2,367,456	39,472	2,406,928
Expenses:						
Program services:						
Consulting	857,593	-	**857,593**	1,162,751	-	1,162,751
Membership services	259,868	-	**259,868**	419,748	-	419,748
Mennonite Health Assembly	111,009	-	**111,009**	174,001	-	174,001
Total program services	1,228,470	-	**1,228,470**	1,756,500	-	1,756,500
Supporting services:						
Management and general	458,857	-	**458,857**	490,965	-	490,965
Total expenses	1,687,327	-	**1,687,327**	2,247,465	-	2,247,465
Change in net assets	223,472	(33,349)	**190,123**	119,991	39,472	159,463
Net assets, beginning	217,158	430,212	**647,370**	97,167	390,740	487,907
Net assets, ending	$ 440,630	$ 396,863	**$ 837,493**	$ 217,158	$ 430,212	$ 647,370

See notes to consolidated financial statements.

Mennonite Health Services
d/b/a MHS Alliance and Subsidiary

Consolidated Statements Of Cash Flows
Years Ended December 31, 2018 and 2017
See Independent Accountant's Compilation Report

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 190,123	$ 159,463
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	5,389	2,503
Net loss (gain) on investments	49,845	(57,905)
Loss on disposal of assets	-	3,728
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(86,710)	(44,073)
Related party receivable	(6,939)	(12,530)
Pledges receivable	5,500	7,100
Prepaid expenses	(3,132)	22,669
Increase (decrease) in:		
Outstanding checks in excess of bank balance	-	(45,277)
Accounts payable	62,643	6,375
Accrued expenses	(35,759)	(10,207)
Deferred revenue	(1,987)	(9,215)
Net cash provided by operating activities	178,973	22,631
Cash flows from investing activities:		
Proceeds from sale of investments	15,588	188,296
Purchase of investments	(24,658)	(165,959)
Purchase of leasehold improvements and equipment	(5,483)	(7,430)
Net cash (used in) provided by investing activities	(14,553)	14,907
Cash flows from financing activities:		
Net payments on revolving credit agreement	(75,000)	-
Net cash used in financing activities	(75,000)	-
Increase in cash and cash equivalents	89,420	37,538
Cash and cash equivalents, beginning	45,269	7,731
Cash and cash equivalents, ending	$ 134,689	$ 45,269

See notes to consolidated financial statements.

Mennonite Health Services
d/b/a MHS Alliance and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018 (with Summarized Comparative Totals for 2017)
See Independent Accountant's Compilation Report

	2018					
FUNCTIONAL EXPENSES	Consulting	Membership Services	Mennonite Health Assembly	Support Services	**Total**	2017 Total
Salaries and benefits	$ 45	$ 46,811	$ 1,903	$ 443,367	**$ 492,126**	$ 802,674
Travel and entertainment	25,962	36,133	40,123	53	**102,271**	128,524
Supplies	516	17,332	306	1,136	**19,290**	16,843
Postage	439	441	1,609	179	**2,668**	2,236
Telephone	1,809	6,564	176	440	**8,989**	10,499
Depreciation and amortization	-	-	-	5,389	**5,389**	2,503
Professional fees	12,402	19,360	-	-	**31,762**	34,014
Office rent and utilities	-	20,953	-	4,081	**25,034**	37,657
Promotion and advertising	26,441	9,368	29,512	-	**65,321**	100,250
Insurance	18,449	16,694	-	-	**35,143**	26,433
Dues and subscriptions	3,509	9,164	-	97	**12,770**	15,226
Outside services	763,360	18,000	4,599	845	**786,804**	912,254
Professional development	-	3,578	32,500	-	**36,078**	29,947
Meetings	-	36,108	-	-	**36,108**	56,021
Rental equipment	741	3,495	-	-	**4,236**	2,988
Grant and scholarship	-	(1,042)	-	-	**(1,042)**	5,912
Programs	-	12,238	-	-	**12,238**	29,556
Interest expense	2,275	-	-	2,276	**4,551**	4,294
Other expense	1,645	4,671	281	994	**7,591**	29,634
	$ 857,593	$ 259,868	$ 111,009	$ 458,857	**$ 1,687,327**	$ 2,247,465

See notes to consolidated financial statements.

Mennonite Health Services
d/b/a MHS Alliance and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017
See Independent Accountant's Compilation Report

	2017				
FUNCTIONAL EXPENSES	Consulting	Membership Services	Mennonite Health Assembly	Support Services	Total
Salaries and benefits	$ 185,047	$ 131,031	$ 37,439	$ 449,157	$ 802,674
Travel and entertainment	38,440	51,097	38,498	489	128,524
Supplies	22	15,576	810	435	16,843
Postage	848	921	448	19	2,236
Telephone	2,235	6,538	1,826	(100)	10,499
Depreciation and amortization	-	-	-	2,503	2,503
Professional fees	13,378	20,636	-	-	34,014
Office rent and utilities	2,026	30,995	555	4,081	37,657
Promotion and advertising	37,616	15,815	46,819	-	100,250
Insurance	13,040	13,393	-	-	26,433
Dues and subscriptions	4,984	10,117	125	-	15,226
Outside services	854,908	22,317	3,823	31,206	912,254
Professional development	7,125	1,992	20,830	-	29,947
Meetings	-	56,021	-	-	56,021
Rental equipment	-	2,988	-	-	2,988
Grant and scholarship	-	5,912	-	-	5,912
Programs	-	29,556	-	-	29,556
Interest expense	2,147	-	-	2,147	4,294
Other expense	935	4,843	22,828	1,028	29,634
	$ 1,162,751	$ 419,748	$ 174,001	$ 490,965	$ 2,247,465

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Mennonite Health Services d/b/a MHS Alliance (Alliance) is a dynamic alliance of church-related health and human service providers across North America. Through membership in and/or consultation with the organization, providers gain the mutual support of an extended network of health care professionals, the cost benefits of shared services, access to vital expertise, including strategic planning and board development, accountability to the church and opportunities for service, and a strong voice in shaping the future of health care.

MHS Consulting, Inc. (Consulting) was created and began operations as a wholly owned, for profit subsidiary of Mennonite Health Services d/b/a MHS Alliance, a not-for-profit organization on January 1, 2013. The Consulting provides consulting services including executive search, strategic planning and board development.

Principles of consolidation: The consolidated financial statements reflect the activities of Alliance and Consulting (collectively the "Organization"). All significant inter-organization transactions have been eliminated.

Significant accounting policies:

Use of estimates: The preparation of consolidated 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 as of the date of the consolidated 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 has cash on deposit in a financial institution, which, at times, may exceed the limits of coverage provided by the Federal Deposit Insurance Corporation.

For the purpose of presentation of cash flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Money market funds related to investments have been included under investments in the accompanying statements of financial position.

Accounts and unbilled receivables: The Organization's accounts and unbilled receivables consist primarily of amounts due from member organizations. Management periodically reviews the accounts and unbilled receivables aging and writes off any accounts that appear to be uncollectible. Management determines the allowance for doubtful accounts by identifying troubled accounts over 90 days. As of December 31, 2018 and 2017 management determined no allowance for doubtful accounts was necessary.

Pledges receivable: Pledges receivable at December 31, 2018 and 2017 are promises to give from various donors that are unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate equal to the rate on financial instruments of a similar duration. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At December 31, 2018 and 2017 there were no promises to give to be received beyond one year.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investments: Investments in debt and equity securities are carried at fair value determined by reference to the underlying assets. Investment income, including realized and unrealized gains and losses on investments and dividends and interest are reported under support and revenue in the statement of activities.

Classification and reporting of net assets: The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions: All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Depreciation: Depreciation of leasehold improvements and equipment is computed by the straight-line method over the estimated useful lives of the assets or lease term if shorter for leasehold improvements. Expenditures for major betterments are capitalized, and expenditures for repairs and maintenance are charged to operations as incurred. When capitalized assets are retired or sold, the cost and related accumulated depreciation or amortization is removed from the accounts, with any gain or loss reflected in the statement of activities.

The Organization assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable from its future undiscounted cash flows. If it is determined that impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions: Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

Revenue recognition: Consulting fee revenue is recognized as services are performed and expenses are incurred. Membership fee revenue is recognized over the membership period. Program and conference fee revenue is recognized when the related conference or program is completed.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and benefits are allocated on the basis of estimates of time and effort
- Interest is allocated on the basis of utilization of the Line of Credit for specific program or support services

Management evaluates these allocations annually.

Supporting service expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Advertising costs: Advertising costs are expensed as incurred. Advertising expenses of approximately $20,000 and $24,000 for the years ended December 31, 2018 and 2017, respectively are reflected in operating expenses.

Income taxes: Mennonite Health Services d/b/a MHS Alliance is incorporated as a not-for-profit organization under the laws of the state of Indiana and is exempt from federal and state income taxes pursuant to provisions of Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation. MHS Consulting is a for-profit corporation subject to federal and state income taxes. See Note 11 for additional disclosure.

The Organization follows the Financial Accounting Standards Board (FASB) guidance for uncertainty in income taxes. The standard clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Organization has no material uncertainties in income taxes. With few exceptions, the Organization is no longer subject to tax examinations by the U.S. federal, state, or local tax authorities for years prior to 2015.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Change in accounting principles: The organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)
- The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-4
Net Asset Class:		
Unrestricted net assets	$ 217,158	$ -
Temporarily restricted net assets	255,149	-
Permanently restricted net assets	175,063	-
Net assets without donor restrictions	-	217,158
Net assets with donor restrictions	-	430,212
	$ 647,370	$ 647,370

Recent accounting pronouncement: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted. The updated standard will now be effective for annual periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases—(Topic 842)*, which supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization's December 31, 2020 consolidated financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the effect of the pending adoption of the new standard on the consolidated financial statements.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets:	
Cash and cash equivalents	$ 134,689
Investments	417,291
Receivables:	
Accounts and unbilled receivables	208,327
Related party	22,221
Pledges receivable	5,100
Investments restricted for long-term purposes	175,063
Total financial assets	962,691
Less current financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets (Note 7)	(17,795)
Donor restricted endowment funds (Note 7)	(379,068)
Less financial assets not available within one year:	
Board designated endowment funds (Note 12)	(36,926)
	(433,789)
Amount available for general expenditures within one year	$ 528,902

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization. However, in the case of need, the Board of Directors could appropriate resources from its designated endowment fund ($36,926). Note 12 provides more information about those funds and about the spending policies for all endowment funds.

As part of the Organization's liquidity management plan, it maintains a revolving line of credit of $100,000 to cover short-term cash needs (Note 6).

Note 3. Fair Value Disclosures

The Organization follows the provisions of ASC 820-10, Fair Value Measurements, which applies to all assets and liabilities that are being measured and reported at fair value. ASC 820-10 establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. Under GAAP, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. This standard enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

Note 3. Fair Value Disclosures (Continued)

The standard requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. Investments that are included in this category generally include equity and debt positions in private companies.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. All investments held by the Organization are considered Level 1.

Note 4. Investments

The following is a summary of the investments in debt and equity securities as of December 31, 2018 and 2017:

	2018	2017
Institutional money market fund	$ 8,500	$ 9,014
Mutual funds:		
U.S. fixed income	180,181	187,946
U.S. large cap core	83,543	92,030
U.S. large cap growth	30,078	31,118
U.S. large cap value	49,119	49,192
U.S. mid cap core	25,705	27,719
U.S. small cap growth	26,192	28,762
International equities	115,059	125,522
Other assets	73,977	81,826
	$ 592,354	$ 633,129

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 5. Leasehold Improvements and Equipment

The cost of leasehold improvements and equipment and the related accumulated depreciation at December 31, 2018 and 2017 are as follows:

	2018	2017
Equipment	$ 47,956	$ 42,474
Furniture and fixtures	32,022	32,022
	79,978	74,496
Less accumulated depreciation	62,528	57,140
	$ 17,450	$ 17,356

Note 6. Line of Credit

The Organization has a $100,000 line of credit with a bank, $25,000 of which was outstanding at December 31, 2018. Borrowings against the line of credit are due on demand, bear interest at the greater of prime (5.5 percent at December 31, 2018) or 5.0 percent and are collateralized by accounts receivable and equipment. The agreement expires January 2020.

Note 7. Net Assets With Donor Restrictions

At December 31, 2018 and 2017, net assets with donor restrictions are available for the following purposes:

	2018	2017
Purpose restrictions, available for spending:		
Mennonite Health Assembly	$ 3,830	$ 4,094
International Project	13,965	19,790
	17,795	23,884
Endowment funds, which must be appropriated by Board of Directors before use:		
Miller-Erb Fund (original gift $57,000)	85,027	90,880
Elmer Ediger Endowment (original gift $96,973)	221,337	237,739
Lebanon Fund (original gift $21,090)	72,704	77,709
Total time-restricted assets	379,068	406,328
Total net assets with donor restrictions	$ 396,863	$ 430,212

Note 7. Net Assets With Donor Restrictions (Continued)

The nature of restrictions is as follows:

Mennonite Health Assembly - amounts contributed and earnings are purpose restricted and are available to provide assistance to those that may not be financially able to attend assembly meetings.

International Project - amounts contributed to promote collaboration, leadership and education with Mennonite World Conference affiliated Anabaptist churches and health and human service agencies.

Miller-Erb Fund - amounts contributed as a permanent endowment. Investment earnings related to the permanent endowment are available to promote research, leadership development, and education in the field of nursing among Mennonites.

Elmer Ediger Endowment Fund - amounts contributed as a permanent endowment. Investment earnings related to the permanent endowment are available to provide scholarships for individuals entering or studying in mental health and developmental disabilities fields.

Lebanon Fund - amounts contributed as a permanent endowment. Investment earnings related to the permanent endowment are available to enhance institutional health programs.

Note 8. Net Assets Released from Restrictions

During the years ended December 31, 2018 and 2017, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying program restrictions as follows:

	2018	2017
International Projects	$ 7,325	$ 1,571
Elmer Ediger Fund grants expended	1,200	1,200
	$ 8,525	$ 2,771

Note 9. Rental Agreements

The Organization leases its offices from unrelated parties on a month to month basis which require payments totaling $2,086. The net rental expense included in the consolidated statements of activities for the years ended December 31, 2018 and 2017 is approximately $25,000 and $38,000, respectively.

Note 10. Employee Benefit Plan

The Organization participates in a defined contribution, individual account, money purchase retirement plan which is administered by the Mennonite Retirement Trust, a separate organization. The fund for Alliance is operated as a church plan as defined in Section 414(e) of the Internal Revenue Code. The fund for Consulting is operated as a qualified profit-sharing plan, more commonly known as a 401(k) plan. In accordance with the plan agreements, the Organization contributes 7 percent of each employee's wage to the plan. Employer contributions for the years ended December 31, 2018 and 2017 were approximately $22,834 and $34,900, respectively.

Note 11. Income Taxes

At December 31, 2018 and 2017, MHS Consulting had approximately $218,000 and $336,000, respectively, in net operating loss carryforwards available through 2034 to offset any future taxable income. Deferred taxes relating to these net operating loss carryforwards were offset by a 100 percent valuation allowance as of December 31, 2018 and 2017 because realization of the carryforwards is not assured.

Note 12. Endowment Net Assets

The Organization has adopted the provisions of ASC 958-205 (formerly FASB Statement of Position No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds). The Organization's endowments consist of several individual funds established for various purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Organization's Board has interpreted Indiana Trust and Fiduciary Law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Board for expenditure unless explicitly stated otherwise in the gift instrument. In addition, the Board has interpreted Indiana Trust and Fiduciary Law to appropriate as much of net appreciation of net assets with donor restrictions held in perpetuity as is prudent considering the duration and preservation of the endowment fund, the purposes of the Organization and endowment fund, general economic conditions, effect of inflation or deflation, expected total return on its investments, and the investment policy of the Organization.

The following is a summary of endowment net asset composition by type of fund at December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds:			
Perpetual endowment	$ -	$ 379,068	$ 379,068
Board-designated funds	36,926	-	36,926
	$ 36,926	$ 379,068	$ 415,994

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds:			
Perpetual endowment	$ -	$ 406,328	$ 406,328
Board-designated funds	39,468	-	39,468
	$ 39,468	$ 406,328	$ 445,796

Note 12. Endowment Net Assets (Continued)

The following is a summary of the changes in endowment net assets for the years ended December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 39,468	$ 406,328	$ 445,796
Investment return	(2,542)	(26,060)	(28,602)
Appropriation of endowment assets for expenditure	-	(1,200)	(1,200)
Endowment net assets, end of year	$ 36,926	$ 379,068	$ 415,994

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 35,418	$ 365,705	$ 401,123
Investment return	4,050	41,823	45,873
Appropriation of endowment assets for expenditure	-	(1,200)	(1,200)
Endowment net assets, end of year	$ 39,468	$ 406,328	$ 445,796

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Indiana Trust and Fiduciary Law requires the Organization to retain as a fund of perpetual duration. At December 31, 2018 and 2017 there were no funds with deficiencies.

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to support operations and programs of the Organization by its endowment while seeking to preserve the endowment assets in perpetuity. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term the Organization expects the current spending policy to allow its endowment to grow by the amount of inflation annually. This is consistent with the Organization's objective to preserve the capital assets of the Organization in perpetuity as well as preserve the purchasing power of the endowment assets over time.

Strategies employed for achieving objectives: To satisfy the long-term return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's asset allocation philosophy includes the following asset classes: bonds and mortgages, domestic and global equities and alternative investments as defined. The Organization has also restricted certain investments such that investments must be consistent with church-related and socially responsible philosophies.

Note 12. Endowment Net Assets (Continued)

Spending policy and how the investment objectives relate to spending policy: The Organization's policy of appropriation for annual distribution is based on the previous year's investment income, less investment expenses, subject to consideration by the Board, to support the charitable mission of the Organization's programs. This policy is based on the Organization's long-term expected return on its endowment.

As of December 31, 2018 and 2017, the original gift of the donor-restricted endowment funds are required to be retained in perpetuity by explicit donor restriction and time-restricted endowment funds represent the portion of perpetual endowment funds subject to time restrictions under Indiana Trust and Fiduciary Law, without purpose restrictions.

Note 13. Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through April 29, 2019, the date the consolidated financial statements were available to be issued.

Mennonite Health Services
d/b/a MHS Alliance and Subsidiary
Consolidated Statement Of Financial Position Information
December 31, 2018 (with Summarized Comparative Totals for 2017)
See Independent Accountant's Compilation Report

	Mennonite Health Services				Total	
STATEMENT OF FINANCIAL POSITION, BY COMPANY	MHS Alliance	MHS Assembly	MHS Consulting	Eliminations	**2018**	2017
Assets						
Current assets:						
Cash and cash equivalents	$ 14,068	$ 21,269	$ 99,352	$ -	**$ 134,689**	$ 45,269
Investments	413,461	3,830	-	-	**417,291**	458,066
Receivables:						
Accounts and unbilled receivables	18,857	1,655	187,815	-	**208,327**	121,617
Related party	22,165	-	56	-	**22,221**	15,282
Pledges receivable	5,100	-	-	-	**5,100**	10,600
Prepaid expenses	1,699	5,277	560	-	**7,536**	4,404
Total current assets	475,350	32,031	287,783	-	**795,164**	655,238
Leasehold improvements and equipment, at depreciated cost	17,450	-	-	-	**17,450**	17,356
Receivable from affiliated entities	477,179	-	-	(477,179)	**-**	-
Investment in subsidiary	100	-	-	(100)	**-**	-
Pledges receivable, less current portion	-	-	-	-	**-**	-
Investments restricted for long-term purposes	175,063	-	-	-	**175,063**	175,063
	$ 1,145,142	$ 32,031	$ 287,783	$ (477,279)	**$ 987,677**	$ 847,657
Liabilities and Net Assets						
Current liabilities:						
Line of credit	$ 25,000	$ -	$ -	$ -	**$ 25,000**	$ 100,000
Outstanding checks in excess of bank balance	-	-	-	-	**-**	-
Accounts payable	809	-	82,858	-	**83,667**	21,024
Payable to MHS Alliance	-	-	452,359	(452,359)	**-**	-
Accrued expenses	40,517	-	-	-	**40,517**	76,276
Deferred revenue	-	-	1,000	-	**1,000**	2,987
Total current liabilities	66,326	-	536,217	(452,359)	**150,184**	200,287
Payable to MHS Alliance	-	24,820	-	(24,820)	**-**	-
Net assets:						
Without donor restrictions	685,783	3,381	(248,434)	(100)	**440,630**	217,158
With donor restrictions	393,033	3,830	-	-	**396,863**	430,212
Total net assets	1,078,816	7,211	(248,434)	(100)	**837,493**	647,370
	$ 1,145,142	$ 32,031	$ 287,783	$ (477,279)	**$ 987,677**	$ 847,657

Mennonite Health Services
d/b/a MHS Alliance and Subsidiary

Consolidated Statement Of Activities Information
Year Ended December 31, 2018 (with Summarized Comparative Totals for 2017)
See Independent Accountant's Compilation Report

	Mennonite Health Services				Total	
STATEMENT OF ACTIVITIES, BY COMPANY	MHS Alliance	MHS Assembly	MHS Consulting	Eliminations	**2018**	2017
Changes in Net Assets Without Donor Restrictions						
Support and revenue:						
Consulting fees	$ 154,681	$ -	$ 962,503	$ -	**$ 1,117,184**	$ 1,473,372
Membership fees and programs	678,077	-	-	-	**678,077**	704,382
Conference fees	-	117,198	-	-	**117,198**	159,279
Investment (loss) income	(14,254)	3	13	(191)	**(14,429)**	23,337
Other	-	-	4,244	-	**4,244**	4,315
Satisfaction of purpose restrictions	8,525	-	-	-	**8,525**	2,771
Total support and revenue	827,029	117,201	966,760	(191)	**1,910,799**	2,367,456
Expenses:						
Program services:						
Consulting	-	-	857,784	(191)	**857,593**	1,162,751
Membership services	259,868	-	-	-	**259,868**	419,748
Mennonite Health Assembly	-	111,009	-	-	**111,009**	174,001
Total program services	259,868	111,009	857,784	(191)	**1,228,470**	1,756,500
Supporting services:						
Management and general	458,857	-	-	-	**458,857**	490,965
Total expenses	718,725	111,009	857,784	(191)	**1,687,327**	2,247,465
Increase in net assets without donor restrictions	108,304	6,192	108,976	-	**223,472**	119,991
Changes in Net Assets With Donor Restrictions						
Restricted program income	1,500	-	-	-	**1,500**	-
Investment (loss) income on restricted assets	(26,060)	(264)	-	-	**(26,324)**	42,243
Net assets released from purpose restrictions	(8,525)	-	-	-	**(8,525)**	(2,771)
(Decrease) increase in net assets with donor restrictions	(33,085)	(264)	-	-	**(33,349)**	39,472
Change in net assets	75,219	5,928	108,976	-	**190,123**	159,463
Net assets, beginning	1,003,597	1,283	(357,410)	(100)	**647,370**	487,907
Net assets, ending	$ 1,078,816	$ 7,211	$ (248,434)	$ (100)	**$ 837,493**	$ 647,370