



SERVLIFE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

CPAs / ADVISORS



SERVLIFE INTERNATIONAL, INC.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
ServLife International, Inc.
Indianapolis, Indiana

We have reviewed the accompanying statements of financial position of ServLife International, Inc. (the Organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

September 6, 2012

SERVLIFE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 73,314	\$ 197,612
Receivable from former executive director, net of allowance of \$58,650 (2011) and \$59,000 (2010)	350	1,000
Inventory	12,829	13,458
Prepaid expenses	952	468
Property and equipment, net	<u>4,514</u>	<u>7,974</u>
	<u>\$ 91,959</u>	<u>\$ 220,512</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 1,489	\$ 3,334
Net Assets		
Unrestricted	69,017	138,024
Temporarily restricted	<u>21,453</u>	<u>79,154</u>
Total net assets	<u>90,470</u>	<u>217,178</u>
	<u>\$ 91,959</u>	<u>\$ 220,512</u>

*See review report of independent accountants.
See accompanying notes to financial statements.*

SERVLIFE INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets		
Support and revenue		
Contributions and grants	\$ 241,359	\$ 610,930
Sales of goods and services	562	4,733
Interest income	4	1,415
Other income	747	-0-
Donated services	3,930	-0-
Net assets released from restrictions	<u>237,510</u>	<u>253,191</u>
Total support and revenue	484,112	870,269
Expenses		
Programs	485,266	784,000
Fundraising	3,600	37,920
General and administrative	64,253	151,744
Total expenses	<u>553,119</u>	<u>973,664</u>
Change in unrestricted net assets	(69,007)	(103,395)
Change in temporarily restricted net assets		
Contributions	179,809	332,345
Net assets released from restrictions	<u>(237,510)</u>	<u>(253,191)</u>
Change in temporarily restricted net assets	<u>(57,701)</u>	<u>79,154</u>
Change in net assets	(126,708)	(24,241)
Net assets, beginning of year	<u>217,178</u>	<u>241,419</u>
Net assets, end of year	<u>\$ 90,470</u>	<u>\$ 217,178</u>

*See review report of independent accountants.
See accompanying notes to financial statements.*

SERVLIFE INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating activities		
Change in net assets	\$ (126,708)	\$ (24,241)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,460	4,508
Receivable arising from former executive director	1,000	(60,000)
Allowance for uncollectible receivable	(350)	59,000
Changes in operating assets and liabilities		
Accounts receivable	-0-	763
Inventory	629	(2,058)
Prepaid expenses	(484)	397
Accounts payable	<u>(1,845)</u>	<u>(12,421)</u>
Net cash flows from operating activities	<u>(124,298)</u>	<u>(34,052)</u>
Investing activities		
Liquidation of marketable securities	<u>-0-</u>	<u>25,002</u>
Net change in cash and cash equivalents	(124,298)	(9,050)
Cash and cash equivalents, beginning of year	<u>197,612</u>	<u>206,662</u>
Cash and cash equivalents, end of year	<u>\$ 73,314</u>	<u>\$ 197,612</u>

*See review report of independent accountants.
See accompanying notes to financial statements.*

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

1. NATURE OF ACTIVITIES

ServLife International, Inc. (ServLife) is a not-for-profit religious organization headquartered in Indianapolis, Indiana but ministries are delivered around the globe. ServLife's primary source of revenue is free-will donations from individuals, foundations and other interested donors. The vision of ServLife is to build global community by advancing the whole gospel to the whole person around the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ServLife are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of ServLife and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Estimates

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For the purposes of the Statement of Cash Flows, ServLife considers all short-term investments with an original maturity of three months or less to be cash equivalents.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Receivable from Former Executive Director

The receivable due from the former Executive Director represents reimbursement for the misuse of ServLife funds during the year ended December 31, 2010. The receivable is carried at the gross amount due, less an allowance for uncollectible amounts. Management determines an allowance for uncollectible amounts based on the estimated amount of recovery.

Inventory

Inventory, consisting primarily of jewelry and craft items handmade by individuals to whom ServLife ministers, is stated at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) basis.

Property and Equipment

Purchased items of property and equipment are recorded at cost. Property and equipment are depreciated over their estimated useful lives using the straight-line method. Expenditures which substantially increase the useful lives of existing assets are capitalized. Minor maintenance and repairs are expensed as incurred. ServLife estimates the useful lives of its capitalized furniture, equipment and vehicles all at 5 years.

Support and Revenue Recognition

Support for ServLife is primarily derived from unrestricted contributions from individuals, churches and foundations and other interested donors. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets.

Revenue is recognized when earned.

Donated Assets and Services

Donated property and equipment are recorded at fair market value on the date of receipt. In the absence of donor restrictions, donated assets are reported as unrestricted support.

Qualifying donated services received by ServLife are recognized as support and expense at their estimated fair market value. For the year ended December 31, 2011, ServLife received the donation of full service office space, which included internet access, utilities and use of common space. ServLife recognized donated services and expense in the amount of \$3,930 related to the use of this space.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Functional Allocation of Expenses

The costs of providing the programs and services of ServLife have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods used were appropriate, other methods could produce different results.

Income Taxes

ServLife is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code and related state laws. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The income derived from ServLife's sale of certain inventory items is considered unrelated business income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by ServLife and recognize a tax liability if ServLife has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by ServLife, and has concluded that as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. ServLife is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

ServLife has filed its federal and state informational and income tax returns for periods through December 31, 2010. These returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Subsequent Events

ServLife evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 6, 2012, which is the date the financial statements were available to be issued.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

3. RECEIVABLE FROM FORMER EXECUTIVE DIRECTOR

ServLife has a receivable due from the former Executive Director totaling \$59,000 and \$60,000 as of December 31, 2011 and 2010, respectively, as reimbursement for the misuse of certain ServeLife funds during the year ended December 31, 2010. In June 2011, ServLife and the former Executive Director entered into a formal repayment agreement. The terms of this agreement are for the former Executive Director to repay \$3,000 during 2011 and \$10,000 per each following year until the receivable is repaid in full, without interest. Repayments in the amount of \$1,000 were received during 2011.

An allowance for uncollectible receivable of \$58,650 and \$59,000 has been provided at December 31, 2011 and 2010, respectively. The evaluation of collectability of the receivable involves the use of significant estimates and assumptions. It is at least reasonably possible that management's estimate of the uncollectible amount will change in the near term, and any such change could be substantial.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 33,471	\$ 33,471
Vehicle	<u>9,957</u>	<u>9,957</u>
	43,428	43,428
Accumulated depreciation	<u>(38,914)</u>	<u>(35,454)</u>
	<u>\$ 4,514</u>	<u>\$ 7,974</u>

See review report of independent accountants.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to support programs as follows at December 31:

	<u>2011</u>	<u>2010</u>
Caring for at risk children	\$ -0-	\$ 39,960
Local pastor training and support	-0-	13,502
ServLife 1000 Campaign	2,100	-0-
Hope fund	7,142	3,307
Empowering at risk women	12,061	21,885
Overseas operational support	-0-	350
Overseas building	150	150
	<u>\$ 21,453</u>	<u>\$ 79,154</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS

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 during the years ended December 31:

	<u>2011</u>	<u>2010</u>
Caring for at risk children	\$ 146,486	\$ 156,644
Local pastor training and support	39,955	14,954
Hope fund	-0-	14,267
ServLife 1000 campaign	-0-	2,037
Empowering at risk women	36,139	21,632
Overseas operational support	430	7,365
Disaster relief	-0-	36,292
YWAM	14,500	-0-
	<u>\$ 237,510</u>	<u>\$ 253,191</u>

7. OPERATING LEASES

ServLife leased office space under an operating lease that expired on December 31, 2010. Rental expense for the lease was \$22,612 for the year ended December 31, 2010. Subsequent to December 31, 2010, ServLife is occupying new office space that is being provided through in-kind donations (Note 2).

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

8. RETIREMENT PLANS

Defined Contribution Plan

ServLife provides a church sponsored 403(b) plan covering all employees. Under this 403(b) plan, ServLife makes contributions to certain employees participating in the plan. Contributions to the church sponsored 403(b) plan totaled \$711 and \$6,135 for the years ended December 31, 2011 and 2010, respectively.

Tax Sheltered Annuity Plan

ServLife provided its executive director a church sponsored 403(b) tax sheltered annuity plan. Under the plan, ServLife contributed 10% of the eligible employee's annual compensation. Contributions were fully vested upon payment. ServLife's contributions under such plans were \$604 and \$7,250 for the years ended December 31, 2011 and 2010, respectively.