



SERVLIFE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

CPAs / ADVISORS



SERVLIFE INTERNATIONAL, INC.

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COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

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

Management is responsible for the accompanying financial statements of ServLife International, Inc., which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement 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 financial statements.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, effective January 1, 2018, ServLife International, Inc. adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

Blue & Co., LLC

Carmel, Indiana
July 31, 2019

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash	\$	144,398
Receivable from former executive director, net of allowance of \$54,758		-0-
Prepaid expenses		<u>1,934</u>
	\$	<u><u>146,332</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	543
Net assets		
Without donor restrictions		42,397
With donor restrictions		<u>103,392</u>
Total net assets		<u>145,789</u>
	\$	<u><u>146,332</u></u>

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

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Change in net assets without donor restrictions

Support and revenue	
Contributions and grants	\$ 344,052
Other income	3,216
Net assets released from restrictions	<u>472,481</u>
Total support and revenue	819,749

Expenses	
Programs	633,070
Fundraising	75,493
Management and general	<u>130,023</u>
Total expenses	<u>838,586</u>

Change in net assets without donor restrictions (18,837)

Change in net assets with donor restrictions

Contributions	519,424
Net assets released from restrictions	<u>(472,481)</u>

Change in net assets with donor restrictions 46,943

Change in net assets 28,106

Net assets, beginning of year 117,683

Net assets, end of year \$ 145,789

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

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Programs	Fundraising	Management and General	Total Expenses
Grants and other support to global missions work	\$ 532,860	\$ -0-	\$ -0-	\$ 532,860
Salaries	30,500	31,267	70,592	132,359
Payroll taxes	3,963	3,189	2,513	9,665
Employee benefits	6,900	7,769	8,505	23,174
Travel	46,379	3,721	3,293	53,393
Office, rent and operations	6,367	5,926	15,723	28,016
Training	1,473	17,061	2,072	20,606
Computer expenses	4,628	4,745	10,711	20,084
Professional fees	-0-	400	10,751	11,151
Other expenses	<u>-0-</u>	<u>1,415</u>	<u>5,863</u>	<u>7,278</u>
Total expenses	<u>\$ 633,070</u>	<u>\$ 75,493</u>	<u>\$ 130,023</u>	<u>\$ 838,586</u>

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

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Operating activities	
Change in net assets	\$ 28,106
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Change in allowance for uncollectible note receivable	(1,300)
Changes in operating assets and liabilities	
Prepaid expenses	1,699
Accounts payable	<u>(56)</u>
Net cash flows from operating activities	28,449
Investing activities	
Collections on note receivable from former executive director	<u>1,300</u>
Net change in cash	29,749
Cash, beginning of year	<u>114,649</u>
Cash, end of year	<u><u>\$ 144,398</u></u>

See compilation report of independent accountants and accompanying notes to financial statements.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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, churches, foundations and other interested donors. ServLife envisions the Gospel bringing spiritual and physical restoration and healing in the most marginalized regions in the world. ServLife propels reconciliation and justice by building global community to plant churches, care for children, and fight poverty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements report net assets and changes in net assets in classes that are based on the existence or absence of restrictions on use that are placed by ServLife's 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 net assets without donor restrictions are the broad limits resulting from the nature of ServLife, 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 subject to donor stipulations for specific operating purposes or time restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying net assets from net assets with donor restrictions to net assets without donor restrictions.

Estimates

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

Receivable from Former Executive Director

The receivable due from a 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.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

Support and Revenue Recognition

Support for ServLife is primarily derived from contributions from individuals, churches, foundations and other interested donors. Support is recognized when received. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions.

Revenue is recognized when earned.

In-Kind Contributions

In addition to receiving cash contributions, ServLife, receives in-kind contributions of materials and services from various donors. It is the policy of ServLife to record the estimated fair value of in-kind contributions as both a contribution and an expense in its financial statements.

The value of donated services included in support and expenses totaled \$15,240 for the year ended December 31, 2018.

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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on actual direct expenditures and cost allocations of indirect expenses based on time and usage by personnel and programs. Expenses allocated include salaries and benefits, rent and utilities, travel, and office overhead. Although the method used was appropriate, other methods could produce different results.

Income Taxes

ServLife is organized as a not-for-profit corporation and is exempt from taxation under Section 501(c)(3) of the United States Internal Revenue Code and similar state law.

ServLife has filed its federal and state informational and income tax returns for periods through December 31, 2017. 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).

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, 2018, 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. There are no audits in progress at December 31, 2018.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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 July 31, 2019, which is the date the financial statements were available to be issued.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, ServLife adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. ServLife has adjusted the presentation of its 2018 financial statements herein.

The impact of the adoption of ASU No. 2016-14 on ServLife's net assets is that all previous references to unrestricted net assets have been changed to net assets without donor restrictions, and all previous references to temporarily restricted net assets have been changed to net assets with donor restrictions. In addition, a new statement of functional expenses was added, and new disclosures were added regarding liquidity and the availability of resources (Note 7), and disclosures related to the functional allocation of expenses were expanded (Note 2).

4. RECEIVABLE FROM FORMER EXECUTIVE DIRECTOR

ServLife has a receivable due from a former Executive Director totaling \$54,758 as of December 31, 2018, as reimbursement for the misuse of certain ServLife 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 required a payment of \$3,000 in 2011, and \$10,000 each year subsequent until the receivable is paid in full. Repayments in the amount of \$1,300 were received in 2018.

An allowance for uncollectible receivable of \$54,758 has been provided at December 31, 2018. 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.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available to support programs as follows at December 31, 2018:

Caring for at risk children	\$ 60,047
Empowering at risk women	43,130
YWAM	<u>215</u>
	<u>\$ 103,392</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 year ended December 31, 2018:

Caring for at risk children	\$ 360,708
Local pastor training and support	77,402
Hope fund	9,796
Empowering at risk women	5,003
Overseas building	5,500
YWAM	<u>14,072</u>
	<u>\$ 472,481</u>

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects ServLife's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available represent purpose restricted contributions as more fully described in Note 5.

Cash	\$ 144,398
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(103,392)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,006</u>

See compilation report of independent accountants.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

8. OPERATING LEASES

During 2017, ServLife entered into an operating lease agreement to rent office space. This agreement requires monthly payments of \$1,498 through July 2020. ServLife also leases storage facilities under various operating leases that are cancelable at any time.

Future minimum lease payments required under the terms of the noncancelable operating lease at December 31, 2018 are as follows:

Year Ending <u>December 31,</u>	
2019	\$ 17,976
2020	<u>10,486</u>
	<u>\$ 28,462</u>

Total rent expense under operating leases was \$20,296 during the year ended December 31, 2018.