



SERVLIFE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019 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, 2019, ServLife International, Inc. adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

Blue & Co., LLC

Carmel, Indiana
August 10, 2020

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash	\$	231,162
Receivable from former executive director, net of allowance of \$52,228		-0-
Prepaid expenses		<u>1,955</u>
	\$	<u>233,117</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	769
Net assets		
Without donor restrictions		40,516
With donor restrictions		<u>191,832</u>
Total net assets		<u>232,348</u>
	\$	<u>233,117</u>

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

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Change in net assets without donor restrictions

Support and revenue	
Contributions	\$ 310,206
Other income	3,209
Net assets released from restrictions	<u>378,993</u>
Total support and revenue	692,408

Expenses	
Program services	485,049
Fundraising	85,698
Management and general	<u>123,542</u>
Total expenses	<u>694,289</u>

Change in net assets without donor restrictions (1,881)

Change in net assets with donor restrictions

Contributions	467,433
Net assets released from restrictions	<u>(378,993)</u>

Change in net assets with donor restrictions 88,440

Change in net assets 86,559

Net assets, beginning of year 145,789

Net assets, end of year \$ 232,348

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

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Services	Fundraising	Management and General	Total Expenses
Grants and other support to global missions work	\$ 411,591	\$ -0-	\$ -0-	\$ 411,591
Salaries	35,445	33,018	79,222	147,685
Payroll taxes	4,505	3,626	2,857	10,988
Employee benefits	8,587	9,522	10,771	28,880
Travel	16,881	3,898	-0-	20,779
Office, rent and operations	3,700	2,939	9,229	15,868
Marketing and donor cultivation	-0-	27,460	1,169	28,629
Training	494	-0-	1,805	2,299
Computer expenses	3,846	3,581	8,593	16,020
Professional fees	-0-	580	4,523	5,103
Other expenses	-0-	1,074	5,373	6,447
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 485,049	\$ 85,698	\$ 123,542	\$ 694,289

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

SERVLIFE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Operating activities

Change in net assets	\$ 86,559
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Change in allowance for uncollectible note receivable	(2,530)
Changes in operating assets and liabilities	
Prepaid expenses	(21)
Accounts payable	<u>226</u>
Net cash flows from operating activities	84,234

Investing activities

Collections on note receivable from former executive director	<u>2,530</u>
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Net change in cash 86,764

Cash, beginning of year 144,398

Cash, end of year \$ 231,162

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

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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, 2019

Accounting for Contributions

ServLife recognizes contributions when cash, securities, other assets or unconditional promises to give are received. Conditional promises to give – that is, those with a measureable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as contributions with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year.

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, 2018. 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, 2019, 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, 2019.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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 August 10, 2020, which is the date the financial statements were available to be issued.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2019, ServLife adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (ASC 958). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of a promisor's obligation to transfer assets. The adoption of ASU 2018-08 did not have a material impact on the 2019 financial statements.

4. RECEIVABLE FROM FORMER EXECUTIVE DIRECTOR

ServLife has a receivable due from a former Executive Director totaling \$52,228 as of December 31, 2019, 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 \$2,530 were received in 2019.

An allowance for uncollectible receivable of \$52,228 has been provided at December 31, 2019. 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.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available to support programs as follows at December 31, 2019:

Caring for at risk children	\$ 146,870
Empowering at risk women	<u>44,962</u>
	<u>\$ 191,832</u>

See compilation report of independent accountants.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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, 2019:

Caring for at risk children	\$ 297,723
Local pastor training and support	61,507
Hope fund	10,830
Empowering at risk women	2,218
YWAM	6,715
	<u>\$ 378,993</u>

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects ServLife's financial assets as of December 31, 2019, 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	\$ 231,162
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(191,832)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 39,330</u>

8. OPERATING LEASES

ServLife leases office space and various storage facilities under various operating leases that are cancellable at any time.

The rent expense under operating leases was \$8,625 during the year ended December 31, 2019.

9. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts ServLife's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict.

SERVLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of personnel, shortages of supplies, delays, and loss of, or reduction to revenues, contributions and funding. Management believes ServLife is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

Effective April 15, 2020 and as amended on June 2, 2020, ServLife received a low interest loan in the amount of \$38,826 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loan is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria is met, with the remaining balance repayable up to five years after disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic, and submit adequate documentation of such expenditures to qualify for loan forgiveness.