



**Servants, Inc. and Affiliate**  
**Consolidated Financial Statements**  
December 31, 2022 and 2021



## **Servants, Inc. and Affiliate**

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## Independent Auditor's Report

To the Board of Directors  
Servants, Inc. and Affiliate  
Red Lion, Pennsylvania

### Opinion

We have audited the consolidated financial statements of Servants, Inc. and Affiliate (the Organization), which comprise the consolidated statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2022 and 2021, the related consolidated statements of revenue and expenses - modified cash basis, changes in net assets - modified cash basis, and functional expenses - by natural classification - modified cash basis for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of the Organization, as of December 31, 2022 and 2021, and its revenue and expenses, and changes in net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and; therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RKL LLP

November 8, 2023  
York, Pennsylvania

## Servants, Inc. and Affiliate

### Consolidated Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis

	December 31,	
	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 71,334	\$ -
Restricted cash	36,851	41,484
<b>Total Current Assets</b>	<b>108,185</b>	<b>41,484</b>
<b>Property and Equipment, Net</b>	<b>162,444</b>	<b>118,215</b>
<b>Interest in Net Assets of a Foundation</b>	<b>34,900</b>	<b>41,464</b>
<b>Total Assets</b>	<b>\$ 305,529</b>	<b>\$ 201,163</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ -	\$ 15,334
Accrued expenses	9,361	12,861
<b>Total Liabilities</b>	<b>9,361</b>	<b>28,195</b>
<b>Net Assets</b>		
Without donor restrictions	259,317	131,484
With donor restrictions	36,851	41,484
<b>Total Net Assets</b>	<b>296,168</b>	<b>172,968</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 305,529</b>	<b>\$ 201,163</b>

**Servants, Inc. and Affiliate****Consolidated Statement of Revenue and Expenses - Modified Cash Basis**

	<b>Year Ended December 31, 2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 724,773	\$ 9,106	\$ 733,879
Other revenue	246,165	-	246,165
In-kind donations	73,244	-	73,244
Interest income	1,237	-	1,237
Net assets released from restriction	13,739	(13,739)	-
<b>Total Support and Revenue</b>	<b>1,059,158</b>	<b>(4,633)</b>	<b>1,054,525</b>
<b>Expenses</b>			
Program services	644,577	-	644,577
Supporting services			
Management and general	220,837	-	220,837
Fundraising	59,347	-	59,347
<b>Total Expenses</b>	<b>924,761</b>	<b>-</b>	<b>924,761</b>
<b>Excess (Deficit) of Support and Revenue over Expenses</b>	<b>134,397</b>	<b>(4,633)</b>	<b>129,764</b>
<b>Forgiveness of Paycheck Protection Program Loan</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in Interest in Net Assets of a Foundation</b>	<b>(6,564)</b>	<b>-</b>	<b>(6,564)</b>
<b>Changes in Net Assets</b>	<b>\$ 127,833</b>	<b>\$ (4,633)</b>	<b>\$ 123,200</b>

**Servants, Inc. and Affiliate**

Consolidated Statement of Revenue and Expenses - Modified Cash Basis (continued)

	<b>Year Ended December 31, 2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 759,932	\$ 30,000	\$ 789,932
Other revenue	54,134	-	54,134
In-kind donations	75,045	-	75,045
Interest income	1,130	-	1,130
Net assets released from restriction	-	-	-
<b>Total Support and Revenue</b>	<b>890,241</b>	<b>30,000</b>	<b>920,241</b>
<b>Expenses</b>			
Program services	646,449	-	646,449
Supporting services			
Management and general	69,965	-	69,965
Fundraising	163,286	-	163,286
<b>Total Expenses</b>	<b>879,700</b>	<b>-</b>	<b>879,700</b>
<b>Excess of Support and Revenue over Expenses</b>	<b>10,541</b>	<b>30,000</b>	<b>40,541</b>
<b>Forgiveness of Paycheck Protection Program Loan</b>	<b>78,923</b>	<b>-</b>	<b>78,923</b>
<b>Changes in Interest in Net Assets of a Foundation</b>	<b>5,662</b>	<b>-</b>	<b>5,662</b>
<b>Changes in Net Assets</b>	<b>\$ 95,126</b>	<b>\$ 30,000</b>	<b>\$ 125,126</b>

**Servants, Inc. and Affiliate****Consolidated Statement of Changes in Net Assets - Modified Cash Basis**

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>Net Assets at December 31, 2020</b>	\$ 36,358	\$ 11,484	\$ 47,842
Changes in net assets	<u>95,126</u>	<u>30,000</u>	<u>125,126</u>
<b>Net Assets at December 31, 2021</b>	131,484	41,484	172,968
Changes in net assets	<u>127,833</u>	<u>(4,633)</u>	<u>123,200</u>
<b>Net Assets at December 31, 2022</b>	<u><u>\$ 259,317</u></u>	<u><u>\$ 36,851</u></u>	<u><u>\$ 296,168</u></u>



**Servants, Inc. and Affiliate**

Consolidated Statement of Functional Expenses - by Natural Classification - Modified Cash Basis

	Year Ended December 31, 2022									
	Program Services						Supporting Services			
	Mission Trips	Serving At-Risk Families	Disaster Recovery Trips	Missionary Support	Home Helps	Servant's Academy	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 15,466	\$ 14,826	\$ 15,466	\$ 3,985	\$ 311,211	\$ 27,539	\$ 388,493	\$ 49,297	\$ 19,589	\$ 457,379
Supplies	40	1,332	60	2,882	93,464	-	97,778	70,877	663	169,318
Payroll taxes	1,648	1,579	1,647	425	31,460	2,997	39,756	21,281	2,021	63,058
Rent expense	793	-	793	204	17,163	1,413	20,366	2,529	18,041	40,936
Depreciation expense	-	-	11,692	-	9,683	-	21,375	10,315	-	31,690
Other program expenses	-	21,696	-	-	-	-	21,696	-	-	21,696
Travel	-	-	2,019	-	11,586	-	13,605	5,572	-	19,177
Professional fees	-	-	-	-	-	-	-	16,849	909	17,758
Dues and subscriptions	80	-	-	-	-	-	80	13,422	3,052	16,554
Insurance	556	-	556	143	11,185	990	13,430	1,772	705	15,907
Minor tools and equipment	362	-	362	93	7,669	644	9,130	2,606	458	12,194
Printing	-	-	-	-	35	-	35	10,987	983	12,005
Fundraising	-	-	-	-	-	-	-	-	10,317	10,317
Utilities	316	-	316	81	6,350	562	7,625	1,006	399	9,030
Telephone	233	-	233	60	4,687	415	5,628	742	293	6,663
Bank service charges	-	65	-	-	41	-	106	6,054	-	6,160
Repairs and maintenance	159	-	159	41	3,200	283	3,842	507	201	4,550
Advertising	-	-	-	-	-	-	-	2,599	1,323	3,922
Vehicle expense	-	-	377	-	183	-	560	1,692	-	2,252
Meals	-	-	191	-	95	-	286	1,566	-	1,852
Miscellaneous	-	-	-	-	586	-	586	282	-	868
Postage	-	-	-	-	-	-	-	363	393	756
Education expense	-	-	-	-	200	-	200	519	-	719
	<u>\$ 19,653</u>	<u>\$ 39,498</u>	<u>\$ 33,871</u>	<u>\$ 7,914</u>	<u>\$ 508,798</u>	<u>\$ 34,843</u>	<u>\$ 644,577</u>	<u>\$ 220,837</u>	<u>\$ 59,347</u>	<u>\$ 924,761</u>

See accompanying notes.

**Servants, Inc. and Affiliate**

Consolidated Statement of Functional Expenses - by Natural Classification - Modified Cash Basis (continued)

	Year Ended December 31, 2021									
	Program Services						Supporting Services			
	Mission Trips	Serving At-Risk Families	Disaster Recovery Trips	Missionary Support	Home Helps	Servant's Academy	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 13,685	\$ 12,305	\$ 13,685	\$ 57,872	\$ 227,428	\$ 23,377	\$ 348,352	\$ 23,377	\$ 92,117	\$ 463,846
Supplies	-	9,793	1,042	28,788	75,846	-	115,469	17,276	3,797	136,542
Payroll taxes	1,471	1,329	1,467	6,167	33,943	2,553	46,930	2,826	8,926	58,682
Rent expense	1,135	47	1,136	556	11,681	160	14,715	244	5,134	20,093
Depreciation expense	-	-	4,881	-	7,303	-	12,184	-	-	12,184
Other program expenses	-	39,341	-	-	-	-	39,341	-	-	39,341
Travel	(5,878)	-	3,324	2,985	4,770	-	5,201	410	200	5,811
Professional fees	103	140	103	16	7,194	580	8,136	3,931	12,409	24,476
Dues and subscriptions	302	3	122	-	1,083	195	1,705	6,279	5,184	13,168
Insurance	1,108	79	108	3,528	5,175	218	10,216	1,864	1,585	13,665
Minor tools and equipment	25	24	107	6	6,566	81	6,809	414	540	7,763
Printing	5	11	5	-	519	46	586	69	20,313	20,968
Fundraising	-	-	-	-	-	-	-	-	4,287	4,287
Utilities	400	32	392	337	3,563	72	4,796	97	384	5,277
Telephone	531	22	531	260	4,861	94	6,299	128	537	6,964
Bank service charges	65	585	-	51	-	-	701	5,835	-	6,536
Repairs and maintenance	-	-	-	-	34	-	34	389	-	423
Advertising	-	-	-	-	472	-	472	419	2,883	3,774
Vehicle expense	-	-	-	-	1,639	-	1,639	1,019	-	2,658
Meals	-	-	-	-	2,144	-	2,144	-	542	2,686
Miscellaneous	-	9,177	-	9,912	1,241	-	20,330	1,597	-	21,927
Postage	-	-	-	-	-	-	-	-	3,970	3,970
Education expense	-	150	-	38	202	-	390	3,791	478	4,659
	<u>\$ 12,952</u>	<u>\$ 73,038</u>	<u>\$ 26,903</u>	<u>\$ 110,516</u>	<u>\$ 395,664</u>	<u>\$ 27,376</u>	<u>\$ 646,449</u>	<u>\$ 69,965</u>	<u>\$ 163,286</u>	<u>\$ 879,700</u>

See accompanying notes.

## **Servants, Inc. and Affiliate**

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### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### **Note 1 - Nature of Operations**

Servants, Inc. is a not-for-profit organization formed in 2000. Their mission is to serve Christ through serving others. Servants, Inc. was established to connect people in need with people who want to serve. Servants, Inc. serves the elderly, disabled, single parents, and those with financial needs by providing service programs in York County, Pennsylvania, across the United States, and around the world.

Servants of Guatemala (a Guatemalan organization) was formed in 2014 in order to establish Serving At-Risk Families, a ministry in Guatemala. The goal of the ministry is to provide education, job training, and access to healthcare to those in need who reside in Guatemala. Servants, Inc. exercises influence over Servants of Guatemala through common control. Additionally, Servants, Inc. provides financial support to Servants of Guatemala. During the years ended December 31, 2022 and 2021, Servants of Guatemala had no activity. In December 2021, the Board of Directors approved the dissolution of Servants of Guatemala. During the year ended December 31, 2022 Servants of Guatemala was dissolved.

For purposes of these consolidated financial statements, the entities are collectively referred to as the Organization. The Organization's primary source of revenue is from contributions.

#### **Note 2 - Summary of Significant Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

##### **Use of Estimates**

The preparation of consolidated financial statements in accordance with the modified cash basis of accounting may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Basis of Consolidation**

The consolidated financial statements include the accounts of Servants, Inc. and Servants of Guatemala. All significant intercompany transactions and balances have been eliminated in consolidation.

##### **Basis of Accounting**

The Organization prepares its consolidated financial statements on the modified cash basis of accounting, modified for recording property and equipment and interest in net assets of a foundation as assets, line of credit and certain accrued expenses as liabilities, and the changes in value in interest in net assets of a foundation, in-kind donations, and depreciation expense as revenues and expenses, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, certain revenue and related assets are recognized only when cash is received rather than when earned and certain expenses are recognized only when cash is paid rather than when the liability is incurred.

## **Servants, Inc. and Affiliate**

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Property and Equipment**

Property and equipment are stated at cost, if purchased, or at fair market value, if donated or contributed. Property and equipment are depreciated using the straight-line method over the estimated average useful lives of the assets or the lease term, whichever is shorter, as follows: vehicles, five years; and leasehold improvements, five years.

The Organization's policy is to capitalize property and equipment expenditures of \$5,000 or more.

##### **Interest in Net Assets of a Foundation**

Interest in net assets of a foundation is reported at fair value as determined by the foundation.

##### **Net Assets**

Net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that are restricted for a specified purpose or passage of time or are restricted in perpetuity.

##### **Revenue Recognition**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as increases in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as support without donor restrictions.

##### **Donated or Contributed Investments, Services, or Materials**

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the consolidated financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received.

## **Servants, Inc. and Affiliate**

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Functional Expenses**

The cost of providing the Organization's programs and supporting services have been summarized on a functional basis in the consolidated statement of revenue and expenses - modified cash basis and consolidated statement of functional expenses - by natural classification - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses. Current expenses of the Organization are directly attributable to program and supporting services; while others require allocation between program and supporting services benefited. Expenses requiring allocation are allocated on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort.

##### **Advertising Expense**

Advertising costs are expensed as incurred.

##### **Change in Accounting Principle**

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of revenue and expenses - modified cash basis, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. During the year ended December 31, 2022, the Organization implemented the provisions of this standard.

#### **Note 3 - Tax-Exempt Status**

Servants, Inc. is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. In addition, the entity was organized under the Pennsylvania Nonprofit Corporation Law and are exempt from state income taxes.

Servants of Guatemala is a Guatemalan not-for-profit entity and is exempt from income taxes as determined by the Guatemalan Tax Administration.

Accounting principles require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local authorities for years before December 31, 2019.

## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 4 - Concentration of Credit Risk

At times during the years ended December 31, 2022 and 2021, the Organization's cash balances may have exceeded the federally insured limit of \$250,000.

#### Note 5 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the consolidated statement of assets, liabilities, and net assets - modified cash basis, comprise the following as of December 31:

	<u>2022</u>	<u>2021</u>
<b>Financial Assets</b>		
Cash	\$ 71,334	\$ -
Restricted cash	<u>36,851</u>	<u>41,484</u>
<b>Total Financial Assets</b>	<b>108,185</b>	41,484
<b>Amounts that are Internally Designated or Externally Restricted</b>		
Restricted cash	<u>(36,851)</u>	<u>(41,484)</u>
<b>Financial Assets Available to be Used Within One Year</b>	<u><u>\$ 71,334</u></u>	<u><u>\$ -</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The Organization also has a line of credit available to meet short-term obligations if needed (refer to Note 9).

#### Note 6 - Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 205,665	\$ 143,171
Leasehold improvements	<u>13,425</u>	<u>-</u>
	<b>219,090</b>	143,171
Accumulated depreciation	<u>(56,646)</u>	<u>(24,956)</u>
	<u><u>\$ 162,444</u></u>	<u><u>\$ 118,215</u></u>

## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 7 - Fair Value of Financial Instruments

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the 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.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation technique was used to measure fair value of assets in the tables below on a recurring basis:

Interest in net assets of a foundation - Fair value of the interest in net assets of a foundation was based on the Organization's ownership interest of the fund as determined by the foundation. The fund assets were valued based on the performance of underlying investments as well as an administrative fee.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy are as follows as of December 31:

	2022			
	Total	Level 1	Level 2	Level 3
Interest in net assets of a foundation	\$ 34,900	\$ -	\$ -	\$ 34,900
	2021			
Interest in net assets of a foundation	\$ 41,464	\$ -	\$ -	\$ 41,464

## **Servants, Inc. and Affiliate**

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### **Note 7 - Fair Value of Financial Instruments (continued)**

##### **Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2022 and 2021, there were no transfers in or out of Level 3.

#### **Note 8 - Interest in Net Assets of a Foundation**

The Organization is a beneficiary of several endowment funds of the United Methodist Stewardship Foundation. United Methodist Stewardship Foundation maintains variance power over distributions from the funds. As beneficiary, the Organization is entitled to annual distributions from the funds, based upon United Methodist Stewardship Foundation's spending policy.

The Organization is also a beneficiary of an endowment fund of the York County Community Foundation. York County Community Foundation maintains variance power over distributions from the funds. As beneficiary, the Organization is entitled to annual distributions from the funds, based upon York County Community Foundation's spending policy.

The endowment funds created by the Organization at the United Methodist Stewardship Foundation and York County Community Foundation are reflected in the consolidated statement of assets, liabilities, and net assets - modified cash basis as interest in net assets of a foundation. Through December 31, 2022 and 2021, the Organization has contributed \$30,366 to the funds. Future contributions are at the discretion of the Board of Directors of the Organization.

#### **Note 9 - Line of Credit**

The Organization has a revolving line of credit agreement with a local financial institution, which provides for borrowings of up to \$150,000. The line of credit bears interest, payable monthly, at the Wall Street Journal's prime rate (7.50% and 3.25% as of December 31, 2022 and 2021, respectively). The line of credit is due on demand and is collateralized by substantially all assets of the Organization. There were no borrowings against the line of credit as of December 31, 2022. Borrowings against the line of credit amounted to \$10,000 as of December 31, 2021. Additionally, as of December 31, 2021, the Organization has a cash overdraft which was reclassified to line of credit. Cash overdraft included in line of credit as of December 31, 2021 amounted to \$5,334.



## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### Note 10 - Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Restricted cash - Fuego, Guatemala	\$ 11,484	\$ 11,484
Restricted cash - vehicle	10,000	10,000
Restricted cash - leasehold improvements	6,261	20,000
Restricted cash - computer hardware	6,241	-
Restricted cash - international trips	2,865	-
	<u>\$ 36,851</u>	<u>\$ 41,484</u>

#### Note 11 - In-Kind Donations

In-kind contributions meeting the requirements for recognition in the consolidated statement of revenue and expenses - modified cash basis consist of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Home Helps supplies	\$ 46,293	\$ 6,004
Fundraising supplies	15,151	19,041
Rent	11,800	-
Property and equipment	-	50,000
	<u>\$ 73,244</u>	<u>\$ 75,045</u>

Contributed Home Helps supplies recognized is comprised primarily of donations of home repair materials. There are no associated donor restrictions related to the donations. Contributed Home Helps supplies are reported at the estimated fair value based on the value that would be paid to purchase similar products.

Contributed fundraising supplies recognized is comprised primarily of donations of silent auction and raffle items. The donated items are available at fundraising events for attendees to place bids on and purchase. There are no associated donor restrictions related to the donations. Contributed fundraising supplies are reported at the estimated fair value based on the value that would be paid to purchase similar products.

Donated rent recognized is comprised of donated space for a fundraising event. There are no associated donor restrictions related to the donated rent. In valuing the donated rent, the Organization estimated the fair value based on the value that would be paid to rent the space.

Donated property and equipment recognized is comprised of a donation of a vehicle to be used for program services. There are no associated donor restrictions related to the donation. In valuing the donated property and equipment, the Organization estimated the fair value on the basis of comparable sales prices.

## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 11 - In-Kind Donations (continued)

In addition to the in-kind contribution amounts recorded in the consolidated financial statements, during the years ended December 31, 2022 and 2021, a substantial number of individual volunteers have donated significant amounts of time to the Organization's programs and supporting services. These services do not meet the criteria for recognition as contributed services, and are not reflected in the accompanying consolidated financial statements.

#### Note 12 - Commitments

The Organization leases space for office facilities. The Organization leased the office facilities on a month-to-month basis through March 2021. Effective April 1, 2021, the Organization entered into a lease agreement with terms through December 2023. In October 2023, this agreement was amended to extend the term of the lease for an additional five years beginning January 1, 2024 through December 31, 2028. Total rent expense related to this lease amounted to \$20,400 and \$15,900 for the years ended December 31, 2022 and 2021, respectively.

Future minimum lease payments, assuming no changes in current terms and including commitments related to the October 2023 amendment, consist of the following for the five years ending December 31, and thereafter:

2023	\$	24,000
2024		25,200
2025		26,700
2026		28,020
2027		29,400
Thereafter		30,900
		<hr/>
	\$	164,220

#### Note 13 - Related Party

The Organization received contributions from the Board of Directors in the amount of \$29,429 and \$42,928 for the years ended December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, Servants, Inc. provided financial support to Servants of Guatemala in the amount of \$5,330 and \$39,341, respectively.

#### Note 14 - Retirement Plan

The Organization sponsors a SIMPLE IRA plan (the Plan) that covers all employees, who meet certain length of service and compensation requirements. The Plan provides for voluntary contributions by employees. Contributions to the Plan will be paid by the Organization at a rate of 3.00% of gross compensation of eligible employees. The Organization's contributions to the Plan were \$9,977 and \$12,617 for the years ended December 31, 2022 and 2021, respectively.

## **Servants, Inc. and Affiliate**

### **Notes to Consolidated Financial Statements**

December 31, 2022 and 2021

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#### **Note 15 - Paycheck Protection Program**

On January 6, 2021, the Small Business Administration (SBA) and the Department of the Treasury released interim final rules related to the expansion and extension of the Paycheck Protection Program (the Program) that was enacted on March 27, 2020 by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization applied for a second loan under this Program and received a loan in the amount of \$78,923 in January 2021. The loan was forgivable if the Organization met certain criteria as established under the Program. The loan was unsecured and did not require personal guarantees. In November 2021, the Organization was notified by their bank that the loan had been forgiven in full by the SBA.

#### **Note 16 - Government Assistance**

The CARES Act established the Employee Retention Tax Credit (ERTC) which is a credit that provides tax relief for organizations that lost revenue as a result of the COVID-19 crisis. During the year ended December 31, 2022, the Organization recognized revenue related to this program in the amount of \$148,737, which is included in other revenue in the consolidated statement of revenue and expenses - modified cash basis.

#### **Note 17 - Reclassifications**

Certain information in the 2021 consolidated financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2022 consolidated financial statements. There was no change to total changes in net assets or total net assets.

#### **Note 18 - Subsequent Events**

The Organization has evaluated subsequent events through November 8, 2023. This date is the date the consolidated financial statements were available to be issued. No material events subsequent to December 31, 2022, other than as described in Note 12, were noted.