



Servants, Inc.

Financial Statements

December 31, 2023 and 2022



Servants, Inc.

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December 31, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Servants, Inc. (the Organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2023 and 2022, the related 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 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, 2023 and 2022, 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

July 25, 2024
York, Pennsylvania

Servants, Inc.

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

	December 31,	
	2023	2022
Assets		
Current Assets		
Cash	\$ 162,719	\$ 71,334
Restricted cash	26,000	36,851
Total Current Assets	188,719	108,185
Property and Equipment, Net	162,313	162,444
Other Assets		
Investments	9,686	-
Interest in net assets of a foundation	28,498	34,900
Total Other Assets	38,184	34,900
Total Assets	\$ 389,216	\$ 305,529
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ 145,000	\$ -
Accrued expenses	20,604	9,361
Total Liabilities	165,604	9,361
Net Assets		
Without donor restrictions	197,612	259,317
With donor restrictions	26,000	36,851
Total Net Assets	223,612	296,168
Total Liabilities and Net Assets	\$ 389,216	\$ 305,529

Servants, Inc.

Statement of Revenue and Expenses - Modified Cash Basis

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 776,649	\$ 9,755	\$ 786,404
Grant revenue	136,101	-	136,101
In-kind donations	68,013	-	68,013
Interest income	1,856	-	1,856
Other revenue	1,552	-	1,552
Net assets released from restriction	20,606	(20,606)	-
Total Support and Revenue	1,004,777	(10,851)	993,926
Expenses			
Program services	892,152	-	892,152
Supporting services			
Management and general	75,616	-	75,616
Fundraising	101,998	-	101,998
Total Expenses	1,069,766	-	1,069,766
Deficit of Support and Revenue over Expenses	(64,989)	(10,851)	(75,840)
Return on Investments, Net	606	-	606
Changes in Interest in Net Assets of a Foundation	2,678	-	2,678
Changes in Net Assets	\$ (61,705)	\$ (10,851)	\$ (72,556)

Servants, Inc.

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

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 724,773	\$ 9,106	\$ 733,879
Grant revenue	240,631	-	240,631
In-kind donations	73,244	-	73,244
Interest income	1,237	-	1,237
Other revenue	5,534	-	5,534
Net assets released from restriction	13,739	(13,739)	-
Total Support and Revenue	1,059,158	(4,633)	1,054,525
Expenses			
Program services	703,758	-	703,758
Supporting services			
Management and general	161,656	-	161,656
Fundraising	59,347	-	59,347
Total Expenses	924,761	-	924,761
Excess (Deficit) of Support and Revenue over Expenses	134,397	(4,633)	129,764
Return on Investments, Net	-	-	-
Changes in Interest in Net Assets of a Foundation	(6,564)	-	(6,564)
Changes in Net Assets	\$ 127,833	\$ (4,633)	\$ 123,200

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets at December 31, 2021	\$ 131,484	\$ 41,484	\$ 172,968
Changes in net assets	<u>127,833</u>	<u>(4,633)</u>	<u>123,200</u>
Net Assets at December 31, 2022	259,317	36,851	296,168
Changes in net assets	<u>(61,705)</u>	<u>(10,851)</u>	<u>(72,556)</u>
Net Assets at December 31, 2023	<u>\$ 197,612</u>	<u>\$ 26,000</u>	<u>\$ 223,612</u>

Servants, Inc.

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

	Year Ended December 31, 2023								
	Program Services					Supporting Services			Total
	Mission Trips	Serving At-Risk Families	Disaster Recovery Trips	Missionary Support	Home Helps	Total Program Services	Management and General	Fundraising	
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 450,777	\$ 450,777	\$ 22,665	\$ 16,711	\$ 490,153
Supplies	5,944	1,567	8,795	-	143,969	160,275	1,552	5,933	167,760
Travel	32,998	-	3,704	-	11,511	48,213	5,976	-	54,189
Rent expense	-	-	-	-	24,003	24,003	1,207	26,642	51,852
Depreciation expense	10,285	-	11,854	-	29,187	51,326	-	-	51,326
Payroll taxes and employee benefits	-	-	-	-	43,454	43,454	4,053	1,278	48,785
Professional fees	-	-	27,361	-	-	27,361	17,541	1,170	46,072
Fundraising	-	-	-	-	-	-	-	30,467	30,467
Minor tools and equipment	-	-	-	-	19,880	19,880	769	567	21,216
Host fees	18,794	-	875	-	-	19,669	-	-	19,669
Printing	-	-	-	-	378	378	-	13,639	14,017
Insurance	-	-	-	-	11,753	11,753	591	436	12,780
Vehicle expense	-	-	-	-	10,710	10,710	1,265	-	11,975
Dues and subscriptions	-	-	-	-	2,026	2,026	6,609	897	9,532
Bank service charges	124	-	-	-	-	124	6,623	1,592	8,339
Utilities	-	-	-	-	7,016	7,016	353	260	7,629
Telephone	-	-	-	-	6,348	6,348	319	235	6,902
Meals	1,400	-	-	-	3,332	4,732	972	-	5,704
Advertising	-	-	-	-	-	-	3,133	226	3,359
Miscellaneous	23	-	-	-	2,748	2,771	312	-	3,083
Postage	-	-	-	-	-	-	-	1,896	1,896
Education expense	-	-	-	-	-	-	1,609	-	1,609
Repairs and maintenance	-	-	-	-	1,336	1,336	67	49	1,452
Other program expenses	-	-	-	-	-	-	-	-	-
	<u>\$ 69,568</u>	<u>\$ 1,567</u>	<u>\$ 52,589</u>	<u>\$ -</u>	<u>\$ 768,428</u>	<u>\$ 892,152</u>	<u>\$ 75,616</u>	<u>\$ 101,998</u>	<u>\$ 1,069,766</u>

See accompanying notes.

Servants, Inc.

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

	Year Ended December 31, 2022								
	Program Services					Supporting Services			
	Mission Trips	Serving At-Risk Families	Disaster Recovery Trips	Missionary Support	Home Helps	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 15,466	\$ 14,826	\$ 15,466	\$ 3,985	\$ 338,750	\$ 388,493	\$ 49,297	\$ 19,589	\$ 457,379
Supplies	40	1,332	60	2,882	142,330	146,644	22,011	663	169,318
Travel	-	-	2,019	-	11,586	13,605	5,572	-	19,177
Rent expense	793	-	793	204	18,576	20,366	2,529	18,041	40,936
Depreciation expense	10,315	-	11,692	-	9,683	31,690	-	-	31,690
Payroll taxes and employee benefits	1,648	1,579	1,647	425	34,457	39,756	21,281	2,021	63,058
Professional fees	-	-	-	-	-	-	16,849	909	17,758
Fundraising	-	-	-	-	-	-	-	10,317	10,317
Minor tools and equipment	362	-	362	93	8,313	9,130	2,606	458	12,194
Host fees	-	-	-	-	-	-	-	-	-
Printing	-	-	-	-	35	35	10,987	983	12,005
Insurance	556	-	556	143	12,175	13,430	1,772	705	15,907
Vehicle expense	-	-	377	-	183	560	1,692	-	2,252
Dues and subscriptions	80	-	-	-	-	80	13,422	3,052	16,554
Bank service charges	-	65	-	-	41	106	6,054	-	6,160
Utilities	316	-	316	81	6,912	7,625	1,006	399	9,030
Telephone	233	-	233	60	5,102	5,628	742	293	6,663
Meals	-	-	191	-	95	286	1,566	-	1,852
Advertising	-	-	-	-	-	-	2,599	1,323	3,922
Miscellaneous	-	-	-	-	586	586	282	-	868
Postage	-	-	-	-	-	-	363	393	756
Education expense	-	-	-	-	200	200	519	-	719
Repairs and maintenance	159	-	159	41	3,483	3,842	507	201	4,550
Other program expenses	-	21,696	-	-	-	21,696	-	-	21,696
	<u>\$ 29,968</u>	<u>\$ 39,498</u>	<u>\$ 33,871</u>	<u>\$ 7,914</u>	<u>\$ 592,507</u>	<u>\$ 703,758</u>	<u>\$ 161,656</u>	<u>\$ 59,347</u>	<u>\$ 924,761</u>

See accompanying notes.

Servants, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 - Nature of Operations

Servants, Inc. (the Organization) 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 was to provide education, job training, and access to healthcare to those in need who reside in Guatemala. Servants, Inc. exercised influence over Servants of Guatemala through common control. Additionally, Servants, Inc. provided financial support to Servants of Guatemala. During the year ended December 31, 2022, Servants of Guatemala was dissolved.

Note 2 - Summary of Significant Accounting Policies

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

Use of Estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Organization prepares its financial statements on the cash basis of accounting, modified for recording property and equipment, investments, and interest in net assets of a foundation as assets; line of credit and certain accrued expenses as liabilities; and recording realized and unrealized holding gains and losses on investments, 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.

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 with an estimated useful life of more than one year, of \$5,000 or more.

Note 2 - Summary of Significant Accounting Policies (continued)

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation.

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 and grant revenue deemed to be a contribution 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 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.

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 statement of revenue and expenses - modified cash basis and 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 when paid.

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 is exempt from state income taxes.

Servants of Guatemala was a Guatemalan not-for-profit entity and was 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 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, 2020.

Note 4 - Concentration of Credit Risk

At times during the years ended December 31, 2023 and 2022, the Organization's cash balances may have exceeded the federally insured limit of \$250,000.

Servants, Inc.

Notes to Financial Statements December 31, 2023 and 2022

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 statement of assets, liabilities, and net assets - modified cash basis, comprise the following as of December 31:

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash	\$ 162,719	\$ 71,334
Restricted cash	26,000	36,851
Investments	<u>9,686</u>	<u>-</u>
Total Financial Assets	<u>198,405</u>	<u>108,185</u>
Amounts that are Internally Designated or Externally Restricted		
Donor-imposed restrictions		
Restricted cash	(26,000)	(36,851)
Internal designations		
Investments held for quasi-endowment	<u>(9,686)</u>	<u>-</u>
Total Amounts Not Available to be Used for General Expenditures Within One Year	<u>(35,686)</u>	<u>(36,851)</u>
Financial Assets Available to be Used Within One Year	<u>\$ 162,719</u>	<u>\$ 71,334</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's endowment consists of funds designated by the Board of Directors to function as an endowment. The Organization has a total return policy of appropriating for distribution each year, a percent of its endowment fund's market value. The Board of Directors approves annual disbursements from the fund as necessary. The amount to be distributed is calculated annually as of December 31 based on a rolling average based on the market value of the preceding twelve quarters. The average market value will then be multiplied by a spending policy rate of 4.5%, unless otherwise changed by the Board of Directors.

The Organization also has a line of credit available to meet short-term obligations if needed (refer to Note 10).

Servants, Inc.

Notes to Financial Statements December 31, 2023 and 2022

Note 6 - Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 256,860	\$ 205,665
Leasehold improvements	<u>13,425</u>	<u>13,425</u>
	270,285	219,090
Accumulated depreciation	<u>(107,972)</u>	<u>(56,646)</u>
	<u>\$ 162,313</u>	<u>\$ 162,444</u>

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 techniques were used to measure fair value of assets in the tables below on a recurring basis:

Cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of these investments.

Mutual funds - Fair value of mutual funds was based on quoted market prices for the identical security.

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.

Servants, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 7 - Fair Value of Financial Instruments (continued)

The methods 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 methods are 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:

	2023			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 193	\$ 193	\$ -	\$ -
Mutual Funds				
Domestic	7,156	7,156	-	-
International	2,337	2,337	-	-
	<u>\$ 9,686</u>	<u>\$ 9,686</u>	<u>\$ -</u>	<u>\$ -</u>
Interest in Net Assets of a Foundation	<u>\$ 28,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,498</u>
	2022			
Interest in Net Assets of a Foundation	<u>\$ 34,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,900</u>

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, 2023 and 2022, there were no transfers in or out of Level 3.

During the year ended December 31, 2023, the Organization liquidated their funds held with United Methodist Stewardship Foundation (refer to Note 9), classified as Level 3.

Servants, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

Note 8 - Investments

Investments consist of the following as of December 31, 2023:

	<u>Cost</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 193	\$ 193
Mutual Funds		
Domestic	6,691	7,156
International	2,297	2,337
	<u>\$ 9,181</u>	<u>\$ 9,686</u>

Return on investments, net consists of the following for the year ended December 31, 2023:

Interest and dividend income, net	\$ 105
Net realized and unrealized gains	<u>501</u>
	<u>\$ 606</u>

Note 9 - Interest in Net Assets of a Foundation

The Organization was a beneficiary of several endowment funds of the United Methodist Stewardship Foundation. United Methodist Stewardship Foundation maintained variance power over distributions from the funds. As beneficiary, the Organization was entitled to annual distributions from the funds, based upon United Methodist Stewardship Foundation's spending policy. During the year ended December 31, 2023, the Organization elected to receive a distribution equal to the entire fund balance of all endowment funds of the United Methodist Stewardship Foundation and the funds were retired.

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 fund. As beneficiary, the Organization is entitled to annual distributions from the fund, based upon York County Community Foundation's spending policy. As of December 31, 2023 and 2022, the Organization has contributed \$25,000 to the fund. Future contributions are at the discretion of the Board of Directors of the Organization.

In addition to the agency endowment funds described above, during the year ended December 31, 2023, contributions made by third parties directly to the Adams County Community Foundation created a designated endowment fund, which is not an asset of the Organization, and is not reflected in the statement of assets, liabilities, and net assets - modified cash basis. The Adams County Community Foundation maintains variance power over this designated endowment fund. The Organization receives information on the value of the fund on an annual basis. As of December 31, 2023, the balance of the Adams County Community Foundation fund in which the Organization is currently designated by the contributor as the beneficiary amounted to \$2,475, which includes accumulated investment earnings in excess of annual distributions and fees.

Note 10 - 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 (8.50% and 7.50% as of December 31, 2023 and 2022, 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 \$145,000 as of December 31, 2023.

In April 2024, the Organization entered into an agreement to temporarily increase the amount available under this line of credit to \$200,000. On December 31, 2024, the amount available under this line of credit shall be reduced to \$150,000. In the event the outstanding principal balance on December 31, 2024 is greater than \$150,000, a principal payment will be required in order to reduce the principal amount to \$150,000.

Note 11 - Endowment

During the year ended December 31, 2023, the Organization's Board of Directors established a quasi-endowment for the long-term financial sustainability of the Organization. As required by accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization considers the following factors in making a determination to accumulate or appropriate endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purposes of the endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and appreciation of investments,
- (6) Other resources of the Organization,
- (7) The investment policies of the Organization.

The following schedule represents the endowment net asset composition by type of endowment fund as of December 31, 2023:

Endowment funds without donor restrictions	<u>\$ 9,686</u>
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Note 11 - Endowment (continued)

The following schedule represents the changes in board-designated endowment net assets for the year ended December 31, 2023:

Endowment Net Assets, Beginning	\$ -
Investment Return	
Interest and dividends, net	105
Net gain (realized and unrealized)	501
Contributions	9,080
Endowment Net Assets, Ending	\$ 9,686

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to preserve the long-term purchasing power of the endowment fund and to provide a reasonable stable and predictable revenue stream from the endowment to support the operating budget of the Organization, and to protect the endowment investments from regular operating spending needs. Endowment assets include board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results, and to allow the Organization to fund the appropriate programs while assuming a moderate level of investment risk.

Strategies Employed for Achieving 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 targets a diversified asset allocation that places a greater emphasis on fixed-income securities to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization has a total return policy of appropriating for distribution each year a percent of its endowment fund's market value. The Board of Directors approves annual disbursements from the fund as necessary. The amount to be distributed is calculated annually as of December 31 based on a rolling average based on the market value of the preceding twelve quarters. The average market value will then be multiplied by a spending policy rate of 4.5%, unless otherwise changed by the Board of Directors.

Servants, Inc.

Notes to Financial Statements December 31, 2023 and 2022

Note 12 - Net Assets without Donor Restrictions

The Organization's net assets without donor restrictions is comprised of undesignated and board-designated amounts for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 187,926	\$ 259,317
Internal designations		
Investments held for quasi-endowment	<u>9,686</u>	<u>-</u>
	<u>\$ 197,612</u>	<u>\$ 259,317</u>

Note 13 - Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Restricted cash - Fuego, Guatemala	\$ 11,484	\$ 11,484
Restricted cash - international trips	9,755	2,865
Restricted cash - leasehold improvements	4,761	6,261
Restricted cash - vehicle	-	10,000
Restricted cash - computer hardware	-	6,241
	<u>\$ 26,000</u>	<u>\$ 36,851</u>

Note 14 - In-Kind Donations

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

	<u>2023</u>	<u>2022</u>
Supplies	\$ 27,195	\$ 46,293
Rent	20,622	11,800
Fundraising supplies	<u>20,196</u>	<u>15,151</u>
	<u>\$ 68,013</u>	<u>\$ 73,244</u>

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

Servants, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 14 - In-Kind Donations (continued)

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.

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.

In addition to the in-kind contribution amounts recorded in the financial statements, during the years ended December 31, 2023 and 2022, 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 financial statements.

Note 15 - Commitments

The Organization leases space for office facilities. Effective April 1, 2021, the Organization entered into a lease agreement with terms through December 31, 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 \$24,000 and \$20,400 for the years ended December 31, 2023 and 2022, respectively.

Future minimum lease payments, assuming no changes in current terms, consist of the following for the remaining five years ending December 31:

2024	\$	25,200
2025		26,700
2026		28,020
2027		29,400
2028		30,900
		<hr/>
	\$	<u>140,220</u>

Note 16 - Related Party

The Organization received contributions and in-kind donations from the Board of Directors in the amount of \$59,576 and \$29,429 for the years ended December 31, 2023 and 2022, respectively.

During the year ended December 31, 2022, Servants, Inc. provided financial support to Servants of Guatemala in the amount of \$5,330. As disclosed in Note 2 to the financial statements, Servants of Guatemala was dissolved during the year ended December 31, 2022.

Note 17 - 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 \$8,900 and \$9,977 for the years ended December 31, 2023 and 2022, respectively.

Note 18 - Government Assistance

The CARES Act (The Coronavirus Aid, Relief, and Economic Security 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 grant revenue in the statement of revenue and expenses - modified cash basis.

Note 19 - Reclassifications

Certain information in the 2022 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2023 financial statements. There was no change in total changes in net assets or total net assets.

Note 20 - Subsequent Events

The Organization has evaluated subsequent events through July 25, 2024. This date is the date the financial statements were available to be issued. Other than as described in Note 10, no material events subsequent to December 31, 2023 were noted.