

**Servants, Inc. and Affiliate**  
**Consolidated Financial Statements**  
**December 31, 2020 and 2019**



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

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Servants, Inc. and Affiliate, which comprise the consolidated statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2020 and 2019, and 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).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Servants, Inc. and Affiliate, as of December 31, 2020 and 2019, and the changes in its net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

## **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.

RKL LLP

June 21, 2021  
York, Pennsylvania

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

	December 31,	
	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 142,436	\$ 64,344
Restricted cash	11,484	12,484
<b>Total Current Assets</b>	<b>153,920</b>	76,828
<b>Property and Equipment, Net</b>	<b>32,021</b>	40,979
<b>Interest in Net Assets of a Foundation</b>	<b>35,802</b>	33,891
<b>Total Assets</b>	<b>\$ 221,743</b>	<b>\$ 151,698</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ 150,000	\$ 95,000
Accrued expenses	23,901	-
<b>Total Liabilities</b>	<b>173,901</b>	95,000
<b>Net Assets</b>		
Without donor restrictions	36,358	44,214
With donor restrictions	11,484	12,484
<b>Total Net Assets</b>	<b>47,842</b>	56,698
<b>Total Liabilities and Net Assets</b>	<b>\$ 221,743</b>	<b>\$ 151,698</b>

**Servants, Inc. and Affiliate**

## Consolidated Statement of Revenue and Expenses - Modified Cash Basis

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions			
General donations	\$ 336,220	\$ -	\$ 336,220
Home Helps	217,809	-	217,809
Missionary support	94,956	-	94,956
Serving At-Risk Families	59,275	-	59,275
Disaster recovery	23,135	-	23,135
Mission trips	17,190	-	17,190
Government grant	76,685	-	76,685
Other revenue	39,246	-	39,246
In-kind donations	3,053	-	3,053
Interest income	1,143	-	1,143
Net assets released from restriction	1,000	(1,000)	-
<b>Total Support and Revenue</b>	<b>869,712</b>	<b>(1,000)</b>	<b>868,712</b>
<b>Expenses</b>			
Program services	648,024	-	648,024
Supporting services			
Management and general	79,675	-	79,675
Fundraising	151,780	-	151,780
<b>Total Expenses</b>	<b>879,479</b>	<b>-</b>	<b>879,479</b>
<b>Deficit of Support and Revenue over Expenses</b>	<b>(9,767)</b>	<b>(1,000)</b>	<b>(10,767)</b>
<b>Changes in Interest in Net Assets of a Foundation</b>	<b>1,911</b>	<b>-</b>	<b>1,911</b>
<b>Changes in Net Assets</b>	<b>\$ (7,856)</b>	<b>\$ (1,000)</b>	<b>\$ (8,856)</b>

**Servants, Inc. and Affiliate**

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

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions			
General donations	\$ 280,695	\$ -	\$ 280,695
Home Helps	345,630	-	345,630
Missionary support	147,048	-	147,048
Serving At-Risk Families	46,238	-	46,238
Disaster recovery	35,864	-	35,864
Mission trips	88,029	-	88,029
Government grant	-	-	-
Other revenue	7,597	-	7,597
In-kind donations	15,996	-	15,996
Interest income	13	-	13
Net assets released from restriction	690	(690)	-
<b>Total Support and Revenue</b>	<b>967,800</b>	<b>(690)</b>	<b>967,110</b>
<b>Expenses</b>			
Program services	735,051	-	735,051
Supporting services			
Management and general	56,455	-	56,455
Fundraising	104,838	-	104,838
<b>Total Expenses</b>	<b>896,344</b>	<b>-</b>	<b>896,344</b>
<b>Excess (Deficit) of Support and Revenue over Expenses</b>	<b>71,456</b>	<b>(690)</b>	<b>70,766</b>
<b>Changes in Interest in Net Assets of a Foundation</b>	<b>4,885</b>	<b>-</b>	<b>4,885</b>
<b>Changes in Net Assets</b>	<b>\$ 76,341</b>	<b>\$ (690)</b>	<b>\$ 75,651</b>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>Net Assets at December 31, 2018</b>	\$ (32,127)	\$ 13,174	\$ (18,953)
Changes in net assets	<u>76,341</u>	<u>(690)</u>	<u>75,651</u>
<b>Net Assets at December 31, 2019</b>	44,214	12,484	56,698
Changes in net assets	<u>(7,856)</u>	<u>(1,000)</u>	<u>(8,856)</u>
<b>Net Assets at December 31, 2020</b>	<u>\$ 36,358</u>	<u>\$ 11,484</u>	<u>\$ 47,842</u>



**Servants, Inc. and Affiliate**

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

Year Ended December 31, 2020

	Program Services						Supporting Services			Total
	Mission Trips	Serving At-Risk Families	Disaster Recovery Trips	Missionary Support	Home Helps	Servant's Academy	Total Program Services	Management and General	Fundraising	
Salaries	\$ 8,115	\$ 6,143	\$ 8,115	\$ 57,786	\$ 228,218	\$ 14,775	\$ 323,152	\$ 26,176	\$ 76,014	\$ 425,342
Supplies	853	4,740	6,286	19,641	69,762	519	101,801	11,687	433	113,921
Payroll taxes	1,593	1,519	1,593	6,156	47,364	2,787	61,012	3,479	4,922	69,413
Other program expenses	-	42,791	-	-	-	-	42,791	-	-	42,791
Travel	20,274	-	4,245	2,858	3,600	304	31,281	357	166	31,804
Dues and subscriptions	1,269	221	56	204	1,682	36	3,468	9,476	16,053	28,997
Printing	21	19	19	7	650	39	755	62	21,401	22,218
Bank service charges	-	1,048	-	32	14	-	1,094	17,720	-	18,814
Professional fees	374	318	374	125	11,510	669	13,370	1,130	4,092	18,592
Office facility rent	1,045	67	1,021	487	9,789	130	12,539	190	4,396	17,125
Advertising	-	-	-	-	2,504	-	2,504	85	11,943	14,532
Insurance	1,078	57	78	3,557	6,382	131	11,283	2,195	893	14,371
Telephone	579	113	515	729	8,035	170	10,141	174	841	11,156
Education expense	-	541	-	171	-	4,437	5,149	3,767	170	9,086
Depreciation expense	-	-	4,261	-	4,697	-	8,958	-	-	8,958
Minor tools and equipment	38	32	38	2,048	3,170	68	5,394	1,236	414	7,044
Fundraising	-	-	-	-	-	-	-	-	4,826	4,826
Postage	-	-	-	-	-	-	-	110	4,652	4,762
Utilities	277	37	261	106	3,020	80	3,781	43	509	4,333
Meals	-	-	-	-	3,886	-	3,886	150	55	4,091
Host fees	-	-	3,400	-	-	490	3,890	-	-	3,890
Vehicle expense	-	-	16	-	1,415	-	1,431	216	-	1,647
Miscellaneous	-	-	-	-	144	200	344	855	-	1,199
Repairs and maintenance	-	-	-	-	-	-	-	567	-	567
	<u>\$ 35,516</u>	<u>\$ 57,646</u>	<u>\$ 30,278</u>	<u>\$ 93,907</u>	<u>\$ 405,842</u>	<u>\$ 24,835</u>	<u>\$ 648,024</u>	<u>\$ 79,675</u>	<u>\$ 151,780</u>	<u>\$ 879,479</u>

**Servants, Inc. and Affiliate**

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

Year Ended December 31, 2019

	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	\$ 9,261	\$ 10,498	\$ 12,332	\$ 101,635	\$ 212,283	\$ 22,021	\$ 368,030	\$ 24,058	\$ 55,912	\$ 448,000
Supplies	3,110	15,731	4	3,431	39,386	459	62,121	1,861	2,010	65,992
Payroll taxes	984	1,136	1,424	10,750	31,998	1,945	48,237	2,346	6,325	56,908
Other program expenses	780	48,292	-	-	-	-	49,072	-	-	49,072
Travel	41,801	-	9,818	33,663	6,216	518	92,016	2,511	-	94,527
Dues and subscriptions	497	6	104	427	768	160	1,962	1,535	3,488	6,985
Printing	11	11	10	34	167	13	246	807	11,205	12,258
Bank service charges	65	1,500	-	32	-	-	1,597	12,500	-	14,097
Professional fees	142	260	177	1,030	3,094	344	5,047	568	468	6,083
Office facility rent	641	353	771	71	9,045	165	11,046	228	7,401	18,675
Advertising	-	-	1,680	-	-	-	1,680	-	732	2,412
Insurance	2,654	2,706	82	27	2,370	187	8,026	3,873	272	12,171
Telephone	139	49	93	22	1,760	51	2,114	783	154	3,051
Education expense	10	-	304	50	118	2,150	2,632	279	87	2,998
Depreciation expense	-	-	2,647	-	1,167	-	3,814	-	-	3,814
Minor tools and equipment	176	267	2,655	401	4,640	363	8,502	1,372	534	10,408
Fundraising	-	-	-	-	-	-	-	-	9,281	9,281
Postage	-	-	-	-	220	-	220	101	6,624	6,945
Utilities	194	70	134	30	2,148	71	2,647	506	268	3,421
Meals	230	-	-	-	2,042	-	2,272	239	77	2,588
Host fees	46,182	-	625	635	-	-	47,442	-	-	47,442
Vehicle expense	-	-	-	2,600	107	-	2,707	537	-	3,244
Miscellaneous	3,490	2,200	-	6,585	1,058	288	13,621	2,351	-	15,972
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-
	<u>\$ 110,367</u>	<u>\$ 83,079</u>	<u>\$ 32,860</u>	<u>\$ 161,423</u>	<u>\$ 318,587</u>	<u>\$ 28,735</u>	<u>\$ 735,051</u>	<u>\$ 56,455</u>	<u>\$ 104,838</u>	<u>\$ 896,344</u>

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

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### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

#### **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, 2020 and 2019, Servants of Guatemala had no activity.

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 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, 2020 and 2019

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#### **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 as follows: vehicles, 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.

##### **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. Expenses of the Organization are directly attributable to program and supporting services; therefore, no costs are allocated between program and supporting services benefited.

##### **Advertising Expense**

Advertising costs are expensed as incurred.

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

### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

In August 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurements (Topic 820)*. The amendments in this ASU removes, modifies, and adds certain disclosure requirements of Accounting Standards Codification Topic 820. The Organization implemented this standard during the year ended December 31, 2020. The Organization has determined that the adoption of ASU 2018-13 did not have a material effect on the 2020 consolidated financial statements.

##### **Recent Accounting Pronouncements**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10 and 2020-05. The guidance in these ASUs supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for privately held companies for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022.

In September 2020, FASB issued 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.

The Organization is currently evaluating the pending adoption of the new standards on the consolidated financial statements.

#### **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.

## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

#### Note 3 - Tax-Exempt Status (continued)

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, 2017.

#### Note 4 - Concentration of Credit Risk

At times during the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Cash	\$ 142,436	\$ 64,344
Restricted cash	<u>11,484</u>	<u>12,484</u>
<b>Total Financial Assets</b>	<b>153,920</b>	76,828
<b>Amounts that are Internally Designated or Externally Restricted</b>		
Restricted cash	<u>(11,484)</u>	<u>(12,484)</u>
<b>Financial Assets Available to be Used Within One Year</b>	<b><u>\$ 142,436</u></b>	<b><u>\$ 64,344</u></b>

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).

## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

#### Note 6 - Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 44,793	\$ 44,793
Accumulated depreciation	<u>(12,772)</u>	<u>(3,814)</u>
	<u>\$ 32,021</u>	<u>\$ 40,979</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 technique was used to measure fair value of assets in the table 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.

## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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:

	2020			
	Total	Level 1	Level 2	Level 3
Interest in net assets of a foundation	\$ 35,802	\$ -	\$ -	\$ 35,802
	2019			
Interest in net assets of a foundation	\$ 33,891	\$ -	\$ -	\$ 33,891

#### 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, 2020 and 2019, 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 and liabilities and net assets - modified cash basis as interest in net assets of a foundation. Through December 31, 2020 and 2019, the Organization has contributed \$30,366 to the funds. Future contributions are at the discretion of the Board of Directors of the Organization.



## Servants, Inc. and Affiliate

### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

#### 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 (previously \$95,000). The line of credit bears interest, payable monthly, at the Wall Street Journal's prime rate (3.25% and 4.75% as of December 31, 2020 and 2019, respectively). The line of credit is due on demand and is collateralized by substantially all assets of the Organization.

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

The Organization's net assets with donor restrictions are subject to expenditure for a specified purpose. Net assets with donor restrictions are restricted to help victims of the volcanic eruption in Fuego, Guatemala and amounted to \$11,484 and \$12,484 as of December 31, 2020 and 2019, respectively.

#### Note 11 - In-Kind Donations

Contributed assets, including contributed equipment and supplies, are reported in the accompanying consolidated financial statements at their fair market value as of the date received.

During the years ended December 31, 2020 and 2019, the Organization also recognized the value of contributed services that met the requirements for recognition in the consolidated statement of revenue and expenses - modified cash basis. In addition, a number of individual volunteers and businesses have donated amounts of time to the Organization's programs and fundraising activities. These services do not meet the criteria for recognition as contributed services, and are not reflected on the accompanying consolidated financial statements.

In-kind donations consist of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Supplies	\$ 3,053	\$ 10,216
Rent	-	2,500
Advertising	-	2,000
Fundraising	-	1,280
	<u>\$ 3,053</u>	<u>\$ 15,996</u>

#### Note 12 - Commitments

The Organization leases space for office facilities. The original terms of the lease were through May 2018. The lease was not renewed; however, the Organization continues to lease the office facilities on a month-to-month basis. Total rent expense amounted to \$13,200 for each of the years ended December 31, 2020 and 2019.

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

### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

#### **Note 13 - Related Party**

The Organization received contributions from the Board of Directors in the amount of \$54,691 and \$61,993 for the years ended December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, Servants, Inc. provided financial support to Servants of Guatemala in the amount of \$42,791 and \$67,817, respectively.

#### **Note 14 - Retirement Plan**

The Organization sponsors a SIMPLE IRA 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 \$10,437 and \$10,255 for the years ended December 31, 2020 and 2019, respectively.

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

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 16). The Organization applied for a loan under this Program and received a loan in the amount of \$76,685 on April 12, 2020. The loan is forgivable if the Organization meets certain criteria as established under the Program. The loan is unsecured and does not require personal guarantees.

The loan bears interest at a fixed rate of 1.00%. Based on the original terms of the loan agreement, the loan was to accrue interest for the first six months following the date of the loan and thereafter would convert to monthly payments of principal and interest of \$4,260 beginning November 11, 2020. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on the loan to the date that the Small Business Administration (SBA) remits the loan forgiveness amount, or if loan forgiveness is not requested, ten months after the end of the loan forgiveness covered period, which generally begins on the date the loan proceeds were received. The Organization elected to use a 24-week loan forgiveness covered period. If any portion of the loan is forgiven in connection with the CARES Act and the terms of the Program, the monthly payments of principal and interest shall thereafter be recalculated by the lender to fully amortize any outstanding amounts remaining after forgiveness over the remaining term of the loan. The loan was scheduled to mature on April 11, 2022, at which time all remaining principal and interest would be due.

When it applied for the loan, the Organization believed it would qualify to have the loan forgiven under the terms of the program, and therefore considered the loan to be substantively a conditional government grant. The Organization applied for loan forgiveness as of December 31, 2020, and expected that the loan would be forgiven in full because the Organization had, prior to December 31, 2020, utilized all of the proceeds for payroll and other qualified expenses and the Organization believed it would continue to comply with other terms and conditions necessary for forgiveness. As such, the Organization recognized grant income for the full amount of the loan.

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

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### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

#### **Note 16 - Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

#### **Note 17 - Subsequent Events**

The Organization has evaluated subsequent events through June 21, 2021. This date is the date the consolidated financial statements were available to be issued. The following events were noted subsequent to December 31, 2020:

In January 2021, the Organization was notified by Traditions Bank that the Paycheck Protection Program loan (refer to Note 15) has been forgiven by the Small Business Administration.

On January 6, 2021, the SBA and the Department of the Treasury released interim final rules related to the expansion and extension of the Program that was enacted on March 27, 2020 by the CARES Act. The Organization applied for a second loan under this Program and received from its bank a loan in the amount of \$78,923 on January 28, 2021. The loan is forgivable if the Organization meets certain criteria as established under the Program. The Organization intends to seek loan forgiveness in accordance with the Program. The Organization anticipates there may be further guidance issued by the SBA, the Department of the Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any of the loan amount not forgiven under the Program is expected to be due in January 2026 with interest at 1.0%. The loan is unsecured and does not require personal guarantees.

No other material events subsequent to December 31, 2020 were noted.