

Servants, Inc. and Affiliate
Consolidated Financial Statements and
Supplementary Information
December 31, 2014

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 financial position - modified cash basis as of December 31, 2014, and the related consolidated statements of activities - modified cash basis and changes in unrestricted net assets - modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting described in Note 2 to the consolidated financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Servants, Inc. and Affiliate as of December 31, 2014, and the changes in its unrestricted net assets for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

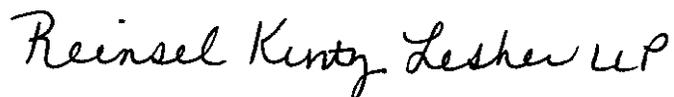
Basis of Accounting

As described in Note 2, the Organization prepares its consolidated financial statements on a modified cash basis of accounting, which is a comprehensive 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.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with the modified cash basis of accounting. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Reinsel Kintz Leshner LLP

September 14, 2015
York, Pennsylvania

Servants, Inc. and Affiliate

Consolidated Statement of Financial Position - Modified Cash Basis

	<u>December 31,</u> <u>2014</u>
Assets	
Current Assets	
Cash	\$ 87,220
Interest in Net Assets of a Foundation	<u>4,460</u>
Total Assets	<u><u>\$ 91,680</u></u>
 Liabilities and Unrestricted Net Assets	
Liabilities	\$ -
Unrestricted Net Assets	<u>91,680</u>
Total Liabilities and Unrestricted Net Assets	<u><u>\$ 91,680</u></u>

Servants, Inc. and Affiliate

Consolidated Statement of Activities - Modified Cash Basis

	Year Ended December 31, 2014
Support and Revenue	
Home Helps	\$ 193,506
Missionary support	150,214
General donations	136,481
Mission trips	82,199
Serving At-Risk Families	30,349
Disaster recovery	7,986
Other revenue	3,937
Interest income	68
	<hr/>
Total Support and Revenue	604,740
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Expenses	
Program services	421,775
Supporting services	
Management and general	92,574
Fundraising	63,590
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Total Expenses	577,939
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Excess of Support and Revenue over Expenses	26,801
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Changes in Interest in Net Assets of a Foundation	24
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Changes in Unrestricted Net Assets	\$ 26,825
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Servants, Inc. and Affiliate**Consolidated Statement of Changes in Unrestricted Net Assets - Modified Cash Basis**

	Year Ended December 31, 2014
Unrestricted Net Assets at December 31, 2013	\$ 64,855
Changes in unrestricted net assets	<u>26,825</u>
Unrestricted Net Assets at December 31, 2014	<u>\$ 91,680</u>

Servants, Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2014

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 a majority of board appointments. During 2014, 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 financial statements in conformity 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 interest in net assets of a foundation as an asset and the changes in value in interest in net assets of a foundation and in-kind contributions 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, 2014

Note 2 - Summary of Significant Accounting Policies (continued)

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:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Organization and/or the passage of time. The Organization currently has no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

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 temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Functional Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in the consolidated statement of activities - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services include management and general expenses and fundraising expenses.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense amounted to \$1,271 for the year ended December 31, 2014.

Subsequent Events

The Organization has evaluated subsequent events through September 14, 2015, which is the date the consolidated financial statements were available to be issued. No material events subsequent to December 31, 2014 were noted.

Servants, Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2014

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, they were 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, 2011.

Note 4 - Concentration of Credit Risk

At times during the year ended December 31, 2014, the Organization's cash balances may have exceeded the federally insured limit of \$250,000.

Note 5 - 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.

Servants, Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2014

Note 5 - Fair Value of Financial Instruments (continued)

The following valuation techniques were 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 fund. 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 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, 2014			
	Total	Level 1	Level 2	Level 3
Interest in net assets of a foundation	\$ 4,460	\$ -	\$ -	\$ 4,460

For assets falling within Level 3 in the fair value hierarchy, the activity recognized during the year ended December 31, 2014 is as follows:

	Interest in Net Assets of a Foundation
Balance as of December 31, 2013	\$ -
Contributions	4,436
Unrealized gains	24
Balance as of December 31, 2014	\$ 4,460

The unrealized gains for interest in net assets of a foundation, classified as Level 3, are included as changes in interest in net assets of a foundation, in the consolidated statement of activities - modified cash basis.

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. In such instances, the transfer is reported at the beginning of the reporting period.

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 year ended December 31, 2014, there were no transfers in or out of Level 3.

Servants, Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2014

Note 6 - Interest in Net Assets of a Foundation

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

The endowment funds created by the Organization at the Foundation are reflected in the consolidated statement of financial position - modified cash basis as interest in net assets of a foundation. Through December 31, 2014, the Organization has contributed \$4,436 to the funds. Future contributions are at the discretion of the Board of Directors of the Organization. As of December 31, 2014, the fair value of the Organization's interest in net assets of a foundation amounted to \$4,460.

Note 7 - In-Kind Contributions

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 year ended December 31, 2014, the Organization also recognized the value of contributed services that met the requirements for recognition in the consolidated statement of activities. 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 contributions consist of the following for the year ended:

	December 31, 2014
Rent	\$ 5,740
Supplies	1,292
Utilities	700
Minor tools and equipment	198
Printing	197
	\$ 8,127

Servants, Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2014

Note 8 - Commitments

The Organization leases space for office facilities. The Organization entered into a new lease agreement in April 2014. The lease requires monthly rent payments of \$1,000 with terms through May 2016. Prior to entering into this agreement, the Organization leased a number of office and storage facilities. A portion of the rent for use of these facilities was donated to the Organization, the fair market value of which has been recorded by the Organization in the consolidated statement of activities - modified cash basis (see Note 7).

Total rent expense for all operating leases amounted to \$16,451 for the year ended December 31, 2014.

Future minimum lease payments under operating leases, assuming no change in the current terms, consists of the following for the remaining two years ending December 31:

2015	\$ 11,000
2016	5,000
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	\$ 16,000

Note 9 - Related Party

The Organization received contributions from several members of the Board of Directors. The Organization received contributions from the Board of Directors in the amount of \$38,466 for the year ended December 31, 2014.

Servants, Inc. and Affiliate

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

	Year Ended December 31, 2014								
	Program Services					Total Program Services	Supporting Services		Total
	Mission Trips	Serving At- Risk Families	Disaster Recovery Trips	Missionary Support	Home Helps		Management and General	Fundraising	
Salaries	\$ 3,789	\$ -	\$ 3,789	\$ 58,900	\$ 101,967	\$ 168,445	\$ 38,367	\$ 33,026	\$ 239,838
Supplies	1,579	458	1,378	-	58,314	61,729	10,148	-	71,877
Travel	48,781	638	313	5,873	8,026	63,631	590	-	64,221
Host fees	32,243	-	1,690	-	-	33,933	-	-	33,933
Payroll taxes	286	-	249	5,981	17,110	23,626	3,555	3,059	30,240
Education expense	-	10,593	-	14,150	-	24,743	121	-	24,864
Fundraising	-	-	-	-	-	-	-	18,705	18,705
Rent	863	-	-	-	4,546	5,409	11,042	-	16,451
Other program expenses	866	3,699	-	6,192	-	10,757	-	-	10,757
Meals	5,083	-	837	58	1,359	7,337	295	-	7,632
General family support	-	7,300	-	-	-	7,300	-	-	7,300
Printing	-	-	-	-	-	-	2,346	4,500	6,846
Minor tools and equipment	-	-	-	-	4,194	4,194	2,519	-	6,713
Postage	-	49	-	54	-	103	1,694	4,300	6,097
Miscellaneous	493	154	458	215	3,423	4,743	808	-	5,551
Medical	9	60	-	3,996	-	4,065	-	-	4,065
Utilities	-	-	-	-	-	-	3,911	-	3,911
Vehicle expense	-	-	-	-	-	-	3,516	-	3,516
Bank service charges	-	-	-	-	-	-	3,237	-	3,237
Professional fees	-	-	-	-	220	220	2,899	-	3,119
Insurance	487	-	-	-	-	487	2,460	-	2,947
Dues and subscriptions	-	-	-	-	-	-	2,267	-	2,267
Telephone	-	-	-	-	1,053	1,053	373	-	1,426
Advertising	-	-	-	-	-	-	1,271	-	1,271
Equipment rental	-	-	-	-	-	-	895	-	895
Meetings	-	-	-	-	-	-	260	-	260
	<u>\$ 94,479</u>	<u>\$ 22,951</u>	<u>\$ 8,714</u>	<u>\$ 95,419</u>	<u>\$ 200,212</u>	<u>\$ 421,775</u>	<u>\$ 92,574</u>	<u>\$ 63,590</u>	<u>\$ 577,939</u>