

ServeNow

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CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

March 31, 2016 and 2015

SERVENOW AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
ServeNow and Affiliates
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of *ServeNow* and Affiliates, which comprise the consolidated statement of financial position as of March 31, 2016 and 2015, and the related consolidated statement of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those 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.

Board of Directors
ServeNow and Affiliates
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of *ServeNow* and Affiliates as of March 31, 2016 and 2015, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
August 16, 2016

SERVENOW AND AFFILIATES

Consolidated Statements of Financial Position

	March 31,	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 1,273,524	\$ 38,286
Accounts and other receivables	6,777	10,000
Prepaid expenses and other assets	22,462	8,337
Inventory	100,833	67,512
Intangible assets-net	134,614	-
Furniture and equipment-net	29,122	18,620
	<u>\$ 1,567,332</u>	<u>\$ 142,755</u>
Total Assets	\$ 1,567,332	\$ 142,755
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 99,744	\$ 18,770
Payable for intangible assets and inventory	142,704	-
	<u>242,448</u>	<u>18,770</u>
Net assets:		
Unrestricted:		
Operating	439,212	77,394
Equity in furniture and equipment-net	29,122	18,620
	<u>468,334</u>	<u>96,014</u>
Temporarily restricted	856,550	27,971
	<u>1,324,884</u>	<u>123,985</u>
Total Liabilities and Net Assets	\$ 1,567,332	\$ 142,755

See notes to consolidated financial statements

SERVENOW AND AFFILIATES

Consolidated Statements of Activities

	Year Ended March 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 938,175	\$ 1,446,269	\$ 2,384,444	\$ 409,781	\$ 389,985	\$ 799,766
Gift-in-kind contributions	198,900	-	198,900	370,885	-	370,885
Program revenue	74,015	-	74,015	-	-	-
Investment and other income	494	-	494	965	-	965
Total Support and Revenue	1,211,584	1,446,269	2,657,853	781,631	389,985	1,171,616
NET ASSETS RELEASED:						
Purpose restrictions	509,339	(509,339)	-	323,914	(323,914)	-
Administrative assessments	108,351	(108,351)	-	75,494	(75,494)	-
	617,690	(617,690)	-	399,408	(399,408)	-
EXPENSES:						
Program services	1,178,761	-	1,178,761	948,398	-	948,398
Supporting activities:						
General and administrative	135,560	-	135,560	107,430	-	107,430
Fundraising	158,791	-	158,791	138,132	-	138,132
	294,351	-	294,351	245,562	-	245,562
Total Expenses	1,473,112	-	1,473,112	1,193,960	-	1,193,960
Change in Net Assets Before Foreign Currency Translation	356,162	828,579	1,184,741	(12,921)	(9,423)	(22,344)
Foreign currency translation adjustments	16,158	-	16,158	-	-	-
Change in Net Assets	372,320	828,579	1,200,899	(12,921)	(9,423)	(22,344)
Net Assets, Beginning of Year	96,014	27,971	123,985	108,935	37,394	146,329
Net Assets, End of Year	\$ 468,334	\$ 856,550	\$ 1,324,884	\$ 96,014	\$ 27,971	\$ 123,985

See notes to consolidated financial statements

SERVENOW AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,200,899	\$ (22,344)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,511	4,394
Donated furniture and equipment	(4,018)	(5,919)
Gain on sale of property and equipment	(159)	
Changes in operating assets and liabilities:		
Accounts and other receivables	3,223	(10,000)
Prepaid expenses and other assets	(14,125)	14,423
Gift-in-kind inventory	(33,321)	-
Accounts payable and accrued expenses	223,678	(10,787)
Net Cash Provided (Used) by Operating Activities	1,388,688	(30,233)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of furniture, equipment, and intangible assets	(153,450)	(4,048)
Net Cash Used by Investing Activities	(153,450)	(4,048)
Net Change in Cash and Cash Equivalents	1,235,238	(34,281)
Cash and Cash Equivalents, Beginning of Year	38,286	72,567
Cash and Cash Equivalents, End of Year	\$ 1,273,524	\$ 38,286

See notes to consolidated financial statements

SERVENOW AND AFFILIATES

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

1. NATURE OF ORGANIZATION:

ServeNow was launched in December 2012 to serve people in need in the name of Christ. Their mission is to accomplish this by caring for orphans, widows, underprivileged children, and youth as well as equipping the Church for greater fulfillment of its ministry and providing humanitarian assistance where needed. *ServeNow* works primarily in countries outside the United States and strives to assist as many people as possible for the Kingdom of God.

Effective February 1, 2016, *MediaServe* joined forces with *ServeNow* as a controlled affiliate organization. The excess of the fair value of assets received over liabilities of *MediaServe* assumed by *ServeNow* are reflected as a contribution for the year ended March 31, 2016. *MediaServe* is a British charity that exists to advance the Kingdom of God by producing and providing innovative Christian literature and other media materials. Presently, *MediaServe* works in 45 languages around the world, providing complete Bibles, New Testaments, and evangelistic and discipleship materials.

2. SIGNIFICANT ACCOUNTING POLICIES:

ServeNow maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial resources and activities of *ServeNow*, *ServeNow* India, *ServeNow* Sweden, *ServeNow* Ukraine, *ServeNow* Nepal, and *MediaServe*. All material transactions and balances between the entities have been eliminated in the consolidation. These entities are collectively referred to as *ServeNow*.

TAX STATUS

ServeNow, a not-for-profit organization incorporated in the State of Colorado, is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code. All entities included in these consolidated financial statements are exempt from taxes in the countries where they are registered and operate.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and checking accounts. These accounts, from time to time, may exceed federally insured limits. *ServeNow* has not experienced any losses on these accounts and does not believe it is subject to any credit risk on cash and cash equivalents.

SERVENOW AND AFFILIATES

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable are recognized as assets and support in the period made. Contributions receivable are due within one year. Management considers all amounts to be fully collectible.

GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consists of items donated to *ServeNow* including medical supplies, household goods, and equipment. These items are recorded at their estimated fair market value on the date of the donation, and reported at their carrying amount thereafter. Grants of gift-in-kind items to other non-controlled organizations are expensed when the goods are shipped.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist mainly of travel expenses paid for in advance and security deposits paid as a part of the lease of office spaces in the United States and India.

FIXED ASSETS

Fixed assets are recorded at cost, or if donated, at their estimated fair market value at the date of the gift. Items purchased for the United States office with a cost or fair value in excess of \$500 are capitalized. Items purchased for international offices are capitalized in accordance with policies established by laws in effect within the country or in accordance with a policy established by the local office. Depreciation and amortization is provided on the straight-line method over estimated useful lives of the assets, which management has determined to be three to ten years.

NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Unrestricted net assets are those currently available for use in *ServeNow's* operations and resources invested in furniture and equipment—net.

Temporarily restricted net assets are resources restricted by donors for the support of specific *ServeNow* projects.

SERVENOW AND AFFILIATES

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to *ServeNow*. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributed services are reflected in the consolidated financial statements as they meet the definition for skilled services under current accounting standards. Donated assets are recorded as contributions at their estimated fair value on the date of donation. The primary sources of revenue for *ServeNow* are contributions and fees for production of literature.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

FOREIGN CURRENCY TRANSLATION

All field offices have identified the U.S. dollar as their reporting currency, which is different from their functional currency. The financial statements of these locations are translated to U.S. dollars using year end rates of exchange for all assets and liabilities, and average rates of exchange for the year for revenues and expenses. The foreign currency translation adjustment is included on the consolidated statements of activities.

UNCERTAIN TAX POSITIONS

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of March 31, 2016, *ServeNow* had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

ServeNow is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with current year presentation.

SERVENOW AND AFFILIATES

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

3. INTANGIBLE ASSETS AND RELATED PAYABLE

In February 2016, *ServeNow* purchased publication materials and their related rights to these and other publications from Mountainbrook Press. *ServeNow* determined the fair value of the intangible assets related to the rights to these publications to be \$118,252. These intangible assets are being amortized over an estimated useful life of five years. The balance of the purchase price of \$24,452 was determined to be the fair value of the materials purchased and was recorded as inventory.

The related payable to Mountainbrook Press will be paid as a royalty of \$.10 per booklet used in program activities over a two-year period with an outstanding balance due in full on March 31, 2018.

4. FIXED ASSETS-NET:

Fixed assets-net consist of:

	March 31, 2016		
	United States	Other Countries	Total
Furniture and equipment	\$ 8,133	\$ 37,726	\$ 45,859
Accumulated depreciation and amortization	(3,746)	(12,991)	(16,737)
	<u>\$ 4,387</u>	<u>\$ 24,735</u>	<u>\$ 29,122</u>
	March 31, 2015		
	United States	Other Countries	Total
Furniture and equipment	\$ 6,195	\$ 21,669	\$ 27,864
Accumulated depreciation and amortization	(1,642)	(7,602)	(9,244)
	<u>\$ 4,553</u>	<u>\$ 14,067</u>	<u>\$ 18,620</u>

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	March 31,	
	2016	2015
MediaServe programs	\$ 766,910	\$ -
Children and youth	73,556	23,673
Mission team travel	8,584	548
Other projects	7,500	3,750
	<u>\$ 856,550</u>	<u>\$ 27,971</u>

SERVENOW AND AFFILIATES

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

6. RELATED PARTY TRANSACTIONS:

ServeNow made payments of \$27,213 to Mountainbrook Press for publication materials for the year ended March 31, 2016. For the year ended March 31, 2015, *ServeNow* made payments of \$59,520 to Mountainbrook Press for services related to printing, consulting, and fundraising. Additionally, as of March 31, 2016, *ServeNow* owes a payable in the amount of \$142,704 to Mountainbrook Press for materials and intellectual property purchased. This entity is owned by the president of *ServeNow*. Additionally, during the years ended March 31, 2016 and 2015, *ServeNow* employed and paid relatives of the president \$47,802 and \$13,501, respectively. All related party transactions are addressed and approved by the board of directors prior to occurrence.

7. CONCENTRATIONS:

ServeNow received cash contributions of \$209,385 from one donor during the year ended March 31, 2016. Additionally, the net assets of *MediaServe* in the amount of \$1,208,649 were donated. Together, these gifts accounted for approximately 53% of total support and revenue during the year ended March 31, 2016. *ServeNow* received cash contributions of \$108,625 from one donor during the year ended March 31, 2015. Additionally, *ServeNow* received \$329,966 of gift-in-kind income from a charitable organization. Together, these gifts accounted for approximately 37% of total support and revenue during the year ended March 31, 2015.

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.