

PEER Servants, Inc.

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Independent Auditor's Report

To the Board of Directors
PEER Servants, Inc.

Opinion

We have audited the financial statements of PEER Servants, Inc. (a non-profit organization), (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Organization for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on November 9, 2021. In the opinion of the other auditor, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether 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 one year after the date that the financial statements are available to be issued.

PEER Servants, Inc.

Statement of Financial Position
December 31, 2021 with Comparative Totals as of December 31, 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 492,621	\$ 252,068
Prepaid expenses	924	924
Total current assets	<u>493,545</u>	<u>252,992</u>
Total assets	<u>\$ 493,545</u>	<u>\$ 252,992</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accrued expenses	\$ 10,151	\$ 11,176
Total current liabilities	<u>10,151</u>	<u>11,176</u>
Net assets		
Net assets without donor restrictions	311,456	154,412
Net assets with donor restrictions	<u>171,938</u>	<u>87,404</u>
Total net assets	<u>483,394</u>	<u>241,816</u>
Total liabilities and net assets	<u>\$ 493,545</u>	<u>\$ 252,992</u>

See Notes to Financial Statements.

PEER Servants, Inc.

**Statement of Activities
Year Ended December 31, 2021 with Comparative Totals for 2020**

	Without donor restrictions	With donor restrictions	2021 Total	2020 Total
Support and revenue				
Grants and contributions	\$ 396,101	\$ 694,014	\$ 1,090,115	\$ 788,511
Released from restriction	609,480	(609,480)	-	-
Interest	51	-	51	21
Total support and revenue	1,005,632	84,534	1,090,166	788,532
Expenses				
Program services	766,987	-	766,987	598,242
Management and general	40,020	-	40,020	34,331
Fundraising	41,581	-	41,581	37,629
Total expenses	848,588	-	848,588	670,202
Change in net assets	157,044	84,534	241,578	118,330
Net assets - beginning of year	154,412	87,404	241,816	123,486
Net assets - end of year	<u>\$ 311,456</u>	<u>\$ 171,938</u>	<u>\$ 483,394</u>	<u>\$ 241,816</u>

See Notes to Financial Statements.

PEER Servants, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2021 with Comparative Totals for 2020**

	Program services	Management and general	Fundraising	2021 Total	2020 Total
Salaries	\$ 33,731	\$ 11,868	\$ 16,866	\$ 62,465	\$ 61,646
Payroll taxes	2,708	953	1,354	5,015	4,949
Benefits	9,321	3,279	4,660	17,260	16,794
Total salary and related expenses	45,760	16,100	22,880	84,740	83,389
Bank charges	-	922	7,372	8,294	7,413
Conferences and meetings	1,459	513	730	2,702	1,333
Development	-	-	3,800	3,800	3,800
Grants to other organizations	706,127	-	-	706,127	537,394
Insurance	680	239	340	1,259	1,707
Office expenses	2,049	721	1,024	3,794	3,329
Postage and shipping	746	263	373	1,382	1,275
Printing and copying	1,712	602	856	3,170	1,604
Processing fees	339	119	170	628	1,443
Professional fees	-	17,700	-	17,700	8,500
Rent	6,891	2,425	3,445	12,761	13,878
Staff development	135	48	67	250	550
Telephone and internet	1,047	368	524	1,939	1,852
Travel	42	-	-	42	2,735
	\$ 766,987	\$ 40,020	\$ 41,581	\$ 848,588	\$ 670,202

See Notes to Financial Statements.

PEER Servants, Inc.

Statement of Cash Flows
Year Ended December 31, 2021 with Comparative Totals for 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 241,578	\$ 118,330
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Decrease in assets		
Prepaid expenses	-	705
(Decrease) increase in liabilities		
Accrued expenses	<u>(1,025)</u>	<u>2,876</u>
Net cash provided by operating activities	<u>240,553</u>	<u>121,911</u>
Net increase in cash and cash equivalents	240,553	121,911
Cash and cash equivalents - beginning	<u>252,068</u>	<u>130,157</u>
Cash and cash equivalents - end	<u>\$ 492,621</u>	<u>\$ 252,068</u>

See Notes to Financial Statements.

PEER Servants, Inc.

Notes to Financial Statements December 31, 2021

Note 1 - Summary of significant accounting policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant accounting policies followed by PEER Servants, Inc. (the "Organization") are described below to enhance the usefulness of the financial statements to the reader.

Nature of activities

The Organization was founded in 1988 as Christian Technical Support and changed its name to PEER Servants in 2004. As of December 31, 2021, the Organization is an unincorporated non-profit association of members located in Wakefield, Massachusetts. On March 28, 2022, subsequent to year end, PEER Servants successfully incorporated with the Commonwealth of Massachusetts as PEER Servants, Inc.

The Organization envisions both the materially poor and non-poor experiencing and extending the kingdom of heaven on earth by being transformed economically, socially, and spiritually. Its mission is to transform lives by partnering for economic empowerment and renewal, and it does this by partnering with indigenous Christian organizations in materially poor countries which seek to be and develop agents of transformation in their communities. The Organization's staff and volunteers, striving to follow Christ, work closely with these global partners in a mutually enriching relationship to provide services that support their journey to becoming sustainable organizations transforming the lives of thousands of families.

Standards of accounting and reporting

The Organization's net assets (excess of its assets over liabilities) and its revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash, cash equivalents restricted deposits and funded reserves

The Organization considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at a financial institution located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance.

PEER Servants, Inc.

Notes to Financial Statements December 31, 2021

Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2021.

Revenue recognition

The Organization earns revenue as follows:

Grants - The Organization receives funding from various grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged, and the funds are released from restriction when the restriction has been met. Conditional grants that contain a performance barrier and a right of return or a right of release are only recognized as revenue if and when the specified conditions are met.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

All of the Organization's revenue is derived from its activities in Massachusetts. During the year ended December 31, 2021, the Organization derived 73% of revenue from individual donors and 27% from churches, foundations, corporations and other non-profit organizations. All revenue is recorded at the estimated net realizable amounts.

Compensated absences

Vacation and sick pay are considered expenditures in the year paid. The Organization has not accrued compensated absences because the amount could not be reasonably estimated.

Designation of net assets without donor restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate payment of the Organization's operating lease.

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Notes to Financial Statements December 31, 2021

Fundraising expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total revenues and as a percentage of total expenses were 4% and 5%, respectively, for the year ended December 31, 2021.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon FTEs which are estimated to approximate allocations based on square footage.

Use of estimates

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

Generally, the Organization's information returns remain open for possible examination for three years after the filing date. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2018 remain open. As of December 31, 2021, the Organization believes that there are no uncertain tax positions with any of its open tax years.

Summarized financial information for 2020

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Recent accounting standards

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 by one year. This ASU is described below.

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December 31, 2021**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, 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 ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*. In December 2018, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Organization's adoption of ASU 2016-02.

Note 2 - Operating lease commitments

The Organization occupies office and program space under a non-cancelable operating lease agreement expiring November 2023. Under the terms of the lease, the Organization must pay its pro-rata share of operating expenses for the building in addition to the base rent. The minimum annual operating non-cancelable lease commitments for the Organization are as follows:

2022	\$ 13,286
2023	12,199
	<u>\$ 25,485</u>

Rent expense for the year ended December 31, 2021 was \$12,761.

Note 3 - Net assets with donor restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2021, net assets with donor restrictions are restricted for program work in the following locations or for the following purposes:

Volunteer relations	\$ 83,510
Guatemala	44,805
South Sudan	21,500
Peru	20,210
Moldova	1,913
	<hr/>
Total	<u>\$ 171,938</u>

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**Notes to Financial Statements
December 31, 2021**

Net assets released from restrictions during the year ended December 31, 2022 were \$609,480, of which all was from program restrictions.

Note 4 - Contributed services (unaudited)

During 2021, the Organization utilized the assistance of 250 volunteers who served approximately 18,000 hours assisting the Organization in administrative and program functions. In accordance with U.S. GAAP, no amounts have been reflected in the financial statements in connection with these volunteered services provided to the Organization.

Note 5 - Grants to other organizations

The Organization makes grants to other organizations that the Organization partners with in order to achieve its mission. These organizations use the funds to run microfinance, education, youth empowerment, healthcare, and food/water security programs in various countries. The Organization budgets for these grants but is not obligated to fund the grants to other organizations in the event that revenues are insufficient to cover these budgeted grants. During the year ended December 31, 2021, the Organization made grants to other organizations in the amount of \$706,127.

Note 6 - Liquidity and availability of resources

Financial assets available for general expenditures within one year of the statement of financial position date comprise the following:

Financial assets at year end	
Cash and cash equivalents	<u>\$ 492,621</u>
Total	<u>492,621</u>
Less amounts unavailable for general expenditures	
Within one year, due to	
Restricted by donors for specific purposes	<u>171,938</u>
Total	<u>171,938</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 320,683</u></u>

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

Note 7 - COVID-19 - risks and uncertainties

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. Further, the Organization's liquidity as of December 31, 2021 is documented at Note 6. The Organization is not able to estimate the length or severity of this

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**Notes to Financial Statements
December 31, 2021**

outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 will have a material adverse effect on its financial condition or liquidity.

Note 8 - Subsequent events

The Organization has performed an evaluation of subsequent events through November 8, 2022, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021 that required recognition or disclosure in these financial statements.