

**UNITED STATES SERVAS, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2016**

**Martin, Hutchison & Hohman**  
CERTIFIED PUBLIC ACCOUNTANTS  
2601 Harrison Ave, Eureka CA 95501

## TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

**Certified Public Accountants**

2601 Harrison Avenue, Eureka, CA 95501

www.cuttaxnow.com ▪ mhh@cuttaxnow.com

(707) 445-8476 ▪ fax (707) 445-8477

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
United States Servas, Inc.

We have reviewed the accompanying financial statements of United States Servas, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**UNITED STATES SERVAS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016**

**ASSETS:**

CURRENT ASSETS:

Cash & cash equivalents	\$	14,233
Accounts receivable		80
Investments (Note 3)		254,101
Prepaid expenses		64

TOTAL CURRENT ASSETS	268,478
----------------------	---------

Equipment, net (Note 2)	1,053
Deposits (Note 4)	1,070

<b>TOTAL ASSETS</b>	<b>\$ 270,601</b>
---------------------	-------------------

**LIABILITIES:**

CURRENT LIABILITIES:

Accounts payable	\$	762
Accrued wages		1,700
Payroll tax liabilities		1,920
Accrued vacation		2,030
Due to Servas International		14,295

<b>TOTAL LIABILITIES</b>	<b>\$ 20,707</b>
--------------------------	------------------

**NET ASSETS:**

Unrestricted (Note 5)	249,894
Temporarily restricted (Note 5)	-

<b>TOTAL NET ASSETS</b>	<b>249,894</b>
-------------------------	----------------

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 270,601</b>
---	-------------------

See accompanying notes and independent accountants' review report.

**UNITED STATES SERVAS, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS, &amp; OTHER SUPPORT:</b>			
Registrations	\$ 68,542	\$ -	\$ 68,542
Contributions	34,634	800	35,434
Interest, dividends, and distributions	4,983	-	4,983
Conference fees	11,200	-	11,200
Income from expiration of refundable deposits (Note 1)	960	-	960
Exchange gain or (loss)	596	-	596
Net realized gain (loss) on investments	1,212	-	1,212
Net unrealized gain (loss) on investments	10,080	-	10,080
Other income	11	-	11
Net assets released from restrictions:			
Expirations of prior year donor restrictions	1,472	(1,472)	-
Current year donor restrictions met	800	(800)	-
Host contributions received in prior year			-
<b>TOTAL REVENUES, GAINS, &amp; OTHER SUPPORT</b>	<b>134,489</b>	<b>(1,472)</b>	<b>133,017</b>
<b>EXPENSES &amp; LOSSES:</b>			
Program services:			
US Servas program services expenses	123,806	-	123,806
Supporting services:			
Fund-raising	3,759	-	3,759
Management & general	25,130	-	25,130
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>152,696</b>	<b>-</b>	<b>152,696</b>
<b>CHANGES IN NET ASSETS</b>	<b>(18,207)</b>	<b>(1,472)</b>	<b>(19,679)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>268,101</b>	<b>1,472</b>	<b>269,573</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 249,894</b>	<b>\$ -</b>	<b>\$ 249,894</b>

See accompanying notes and independent accountants' review report.

**UNITED STATES SERVAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended December 31, 2016**

FUNCTIONAL EXPENSES	Program Services	Fund-raising	Supporting Services	Total	Total
	Travel Services		Management & General		
Salaries & wages	\$ 78,096	\$ 1,954	\$ 2,906	\$ 4,860	\$ 82,956
Payroll taxes	6,754	155	242	397	7,151
Employee benefits	910	30	41	71	981
Total salaries & benefits	85,760	2,139	3,190	5,329	91,089
Bank charges	1,470	-	2,352	2,352	3,822
Communications	1,543	18	154	172	1,715
Depreciation	-	-	366	366	366
Dues & subscriptions	133	-	40	40	173
Stamp fees to Servas Int'l	14,315	-	-	-	14,315
Educational outreach	443	-	-	-	443
Equipment Expense	-	-	87	87	87
Insurance	-	-	2,537	2,537	2,537
Meetings & conferences	335	60	6,565	6,625	6,960
Miscellaneous	7	-	96	96	103
Occupancy	9,038	992	1,094	2,086	11,124
Office	1,149	63	389	452	1,601
Outside Services	5,330	-	1,000	1,000	6,330
Postage	620	449	1,522	1,972	2,592
Printing	2,834	-	-	-	2,834
Professional services	-	-	5,230	5,230	5,230
Registration fees	-	-	441	441	441
Repairs	478	38	67	105	583
Travel	351	-	-	-	351
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 123,806</b>	<b>\$ 3,759</b>	<b>\$ 25,130</b>	<b>\$ 28,889</b>	<b>\$ 152,696</b>

See accompanying notes and independent accountants' review report.

**UNITED STATES SERVAS, INC.**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase (decrease) in net assets:	\$ (19,679)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	366
Interest income from investments	-
Dividend & capital gains distribution income from investments	(4,983)
Realized (gain)/loss on investments	(1,212)
Unrealized (gain)/loss on investments	(10,080)
 (Increase) decrease in operating assets:	
Prepays	-
Deposits	47
Accounts Receivable	116
 Increase (decrease) in operating liabilities:	
Accounts payable	400
Accrued wages	(1,800)
Payroll tax liabilities	82
Accrued vacation	425
Due to Servas International	1,956
Refundable deposits	(960)
	<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> (35,321)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Equipment purchased	(663)
Securities purchased	(5,067)
Securities sold	42,009
Interest income from investments	-
Dividend & capital gains distributions income	4,983
	<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b> 41,262

**NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS** 5,940

<b>BEGINNING CASH &amp; CASH EQUIVALENTS</b>	8,293
<b>ENDING CASH &amp; CASH EQUIVALENTS</b>	\$ 14,233

See accompanying notes and independent accountants' review report.

**UNITED STATES SERVAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of United States Servas, Inc. (US Servas) is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

**Nature of Activities**

US Servas was established in 1963 as a non-profit membership corporation under the Membership Corporation Law of the State of New York. In 2002, US Servas became qualified to transact intrastate business in California and currently maintains one office located in Arcata, California. Its mission is to foster understanding of cultural diversity through a global, person-to-person network promoting a more just and peaceful world.

The basic means used to accomplish this goal is for travelers from foreign countries to stay with families of the nation that they are visiting, in order to exchange ideas and lifestyles. US Servas' activities are primarily supported by travelers' annual registrations and contributions from hosts and individuals. Travelers receive validated letters of introduction to present to the hosts that they are visiting.

**Accounting Method**

The financial statements of the organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Affiliation**

US Servas is affiliated with Servas International. Servas International provides validation stamps to US Servas for travelers' letters of introduction. US Servas remits annual dues to Servas International based on the number of stamps used at the rate of zero Swiss francs (CHF) for the first 10 stamps, 10 francs for the next 40 stamps, 15 francs for the next 250 stamps, 18 francs for the next 250 stamps, and 20 francs for all stamps thereafter. The total stamp fees remitted to Servas International for travel in 2016 was \$14,315.

**Basis of Presentation**

US Servas is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, US Servas considers cash and cash equivalents to include all cash accounts held in banks and other financial institutions.

**Accounts Receivable**

Accounts receivable are historically composed of traveler's stamp fees. Accounts receivable is not typically a significant amount due to travelers promptly paying their required fees for stamps necessary to their traveling needs. Management expects all receivables to be collected, and thus do not believe in the need for an allowance for uncollectable accounts. At 12/31/16 the amount in accounts receivable was \$80.

**UNITED STATES SERVAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont.**

**Contributions**

US Servas accounts for contributions received and made in accordance with accounting standards for not-for-profit organizations. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Donated Services**

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Many individuals volunteer their time and perform a variety of tasks that assist US Servas. These services do not meet the criteria for recognition as contributed services.

**Equipment**

Equipment is capitalized at its estimated fair value when donated or at cost when purchased. Equipment donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Equipment is depreciated using the straight-line method, over the assets' estimated useful lives, which range from five to seven years. The threshold for capitalizing equipment is \$500.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Expense Allocations**

The costs of providing program 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 either program or supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies.

Program services include providing approved travelers with opportunities to be guests of US residents and providing American travelers abroad with opportunities to be guests of foreign hosts. US Servas interviews and approves travelers and hosts, provides validated letters of introduction to travelers, and produces lists with host information that are loaned out to travelers.

Fund-raising expenses include the costs related to soliciting donations from registered hosts and other contributors.

**UNITED STATES SERVAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont.**

**Expense Allocations, cont.**

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of US Servas.

**Income Taxes**

US Servas is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and similar California and New York provisions. Accordingly, income taxes are not provided for in the financial statements.

**Investments**

Investments in marketable securities are recorded at the published market value. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

**Revenue Recognition**

US Servas recognizes revenue on the accrual basis of accounting. Travelers pay annual registration fees which are recognized when received.

**NOTE 2 - EQUIPMENT**

The change in equipment for the year ended December 31, 2016, is as follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Equipment	\$ 33,365	\$ 663	\$ -	\$ 34,028
Accumulated depreciation	<u>(32,609)</u>	<u>(366)</u>	<u>-</u>	<u>(32,975)</u>
Property & equipment - net	<u>\$ 756</u>	<u>\$ 297</u>	<u>\$ -</u>	<u>\$ 1,053</u>

Total depreciation expense charged to operations for the year ended December 31, 2016, was \$366.

**NOTE 3 - INVESTMENTS**

US Servas' investments consist of mutual funds that have a readily determinable fair market value, are classified as available for sale, and accordingly are carried at fair value which was \$254,101 at December 31, 2016.

Current year investment activities resulted in dividends of \$3,721, capital gains distributions of \$1,262, and realized gains of \$1,212. The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale investment securities by major security type and class of security as of December 31, 2016 are as follows:

**UNITED STATES SERVAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 – INVESTMENTS, cont.**

**Fair Value Measurements at the End of the Reporting  
Period**

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Mutual Funds	244,021	10,080	0	254,101
	\$ 244,021	\$ 10,080	\$ 0	\$ 254,101

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the organization are deemed to be actively traded.

The organization's investments at December 31, 2016 are comprised solely of securities that are categorized as Level 1.

**NOTE 4 - DEPOSITS**

Deposits at 12/31/16 consists of the following:

Worker's Compensation Insurance Deposit	\$ 196
Office Security Deposit	874
Total Deposits	\$ 1,070

**UNITED STATES SERVAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - NET ASSETS**

Unrestricted net assets at December 31, 2016, consist of the following:

Board designated operating reserve	\$ 35,000
Other unrestricted net assets	<u>214,651</u>
Total unrestricted net assets	<u>\$ 249,651</u>

At December 31, 2016, there were no temporarily restricted net assets nor were there any permanently restricted net assets

**NOTE 6 - LEASE COMMITMENT**

*Rental Lease*

US Servas rents its Arcata office on a month to month basis, with rent at \$927 per month. Total rent expense for the year ended December 31, 2016, is \$11,124.

*Equipment Lease*

The organization entered into an equipment lease agreement, effective February 28, 2013, for a postage meter. This agreement was made between US Servas and Alternative Business Concepts and is valid for 63 months from the day the agreement was made.

The monthly amount of the lease is \$129, paid quarterly in payments of \$387.

**NOTE 7 - LIABILITY INSURANCE**

US Servas renewed their liability insurance contract with United States Liability Insurance Company, effective 10/27/16, for a three year period ending on 10/27/19. The organization's coverage includes Non-Profit Directors and Officers Liability with a limit of \$1,000,000 per claim and Employment Practices Liability with a \$1,000,000 limit per claim as well.

The organization also maintains Commercial General Liability Insurance coverage with The Travelers Indemnity Company of Connecticut. There is a \$2,000,000 General Aggregate Limit per claim through this insurance coverage.

**UNITED STATES SERVAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 - MEMBERSHIP INFORMATION**

Membership information for 2016 is as follows:

Voting members:

Electors	53
----------	----

Annual meeting attendees	49
--------------------------	----

Participating members:

International and domestic travelers	831
--------------------------------------	-----

Hosts	1,029
-------	-------

**NOTE 9 - SUBSEQUENT EVENTS**

For the originally issued financial statements, Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through 6/28/17, the date on which the financial statements were issued. There were no subsequent events identified by management.