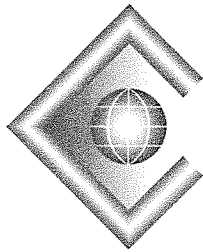


SERGE GLOBAL, INC.
AUDITED FINANCIAL STATEMENTS
MAY 31, 2015

SERGE GLOBAL, INC.

TABLE OF CONTENTS

	<i>Page</i>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Serge Global, Inc.

We have audited the accompanying financial statements of Serge Global, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2015, and the related statements of activities, functional expenses, and cash flows 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 included 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.

- 1 -

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Serge Global, Inc. as of May 31, 2015, 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.

Report on Summarized Comparative Information

Morey Nee Buck and Oswald, LLC audited Serge Global, Inc.'s 2014 financial statements, and they expressed an unmodified opinion on those audited financial statements in their report dated August 26, 2014. In their opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Canon Capital CLTs". The signature is written in a cursive, slightly slanted style.

August 27, 2015
Souderton, Pennsylvania

SERGE GLOBAL, INC.

STATEMENT OF FINANCIAL POSITION

MAY 31, 2015

WITH COMPARATIVE TOTALS AS OF MAY 31, 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash	\$ 2,234,182	\$ 1,460,897
Accounts Receivable	82,495	54,674
Prepaid Expenses	199,101	99,051
Pledges Receivable	20,000	15,300
Advances to Missionaries	109,061	118,441
Investments	3,152,828	3,692,447
Security Deposits	104,724	95,827
Other Assets	121,013	62,825
Property and Equipment - Net of Accumulated Depreciation	<u>105,951</u>	<u>120,326</u>
TOTAL ASSETS	<u><u>\$ 6,129,355</u></u>	<u><u>\$ 5,719,788</u></u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 217,977	\$ 228,430
Payroll Taxes Payable	6,821	1,739
Monies to be Remitted to the Field	<u>5,635</u>	<u>4,803</u>
Total Liabilities	<u>230,433</u>	<u>234,972</u>
<u>NET ASSETS</u>		
Unrestricted:		
Board Designated for Missionaries and Projects	5,478,235	4,575,270
Undesignated	<u>334,258</u>	<u>821,617</u>
Total Unrestricted	5,812,493	5,396,887
Temporarily Restricted	86,429	87,929
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>5,898,922</u>	<u>5,484,816</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,129,355</u></u>	<u><u>\$ 5,719,788</u></u>

The accompanying notes are an integral part of the financial statements.

SERGE GLOBAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2015
WITH COMPARATIVE TOTALS AS OF MAY 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
Support and Revenue:					
Contributions and Grants	\$12,465,599	\$ 155,602	\$ -	\$12,621,201	\$11,423,742
Discipling/Tuition	52,099	-	-	52,099	48,943
Literature, Tapes and Books	52,822	-	-	52,822	44,338
Investment Income	83,450	-	-	83,450	281,823
Other Income	72,637	-	-	72,637	52,072
Total Support and Revenues	<u>12,726,607</u>	<u>155,602</u>	<u>-</u>	<u>12,882,209</u>	<u>11,850,918</u>
Net Assets Released from Program Restrictions	<u>157,102</u>	<u>(157,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, and Reclassifications	<u>12,883,709</u>	<u>(1,500)</u>	<u>-</u>	<u>12,882,209</u>	<u>11,850,918</u>
Expenses:					
Field Operations	9,918,285	-	-	9,918,285	9,159,714
Sending Center	1,777,365	-	-	1,777,365	1,833,382
Fundraising	772,453	-	-	772,453	210,988
Total Expenses	<u>12,468,103</u>	<u>-</u>	<u>-</u>	<u>12,468,103</u>	<u>11,204,084</u>
Increase in Net Assets	415,606	(1,500)	-	414,106	646,834
Net Assets, Beginning of Year, Restated	<u>5,396,887</u>	<u>87,929</u>	<u>-</u>	<u>5,484,816</u>	<u>4,837,982</u>
Net Assets, End of Year	<u>\$ 5,812,493</u>	<u>\$ 86,429</u>	<u>\$ -</u>	<u>\$ 5,898,922</u>	<u>\$ 5,484,816</u>

The accompanying notes are an integral part of the financial statements.

SERGE GLOBAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2015
WITH COMPARATIVE TOTALS AS OF MAY 31, 2014

	<u>Field</u> <u>Operations</u>	<u>Sending</u> <u>Center</u>	<u>Fund-</u> <u>raising</u>	<u>2015</u> <u>Totals</u>	<u>2014</u> <u>Totals</u>
Books and Other Literature	\$ 26,239	\$ 4,266	\$ 156	\$ 30,661	\$ 20,830
Business Meals	67,659	34,721	1,974	104,354	87,180
COBRA Expense	984	-	-	984	5,404
Computer Hardware and Software	51,142	17,650	215	69,007	66,256
Cost of Goods Sold	15,821	-	-	15,821	12,271
Depreciation	37,649	8,088	-	45,737	46,368
Diaconal Needs	21,417	-	-	21,417	26,632
Dues and Subscriptions	4,638	18,303	-	22,941	23,438
Education and Schooling	196,035	2,742	-	198,777	244,262
Foreign National Wages	53,873	-	-	53,873	31,371
Grants to Foreign Organizations	623,848	-	-	623,848	509,502
Insurance	8,060	18,101	-	26,161	23,983
Leases, Maintenance and Repairs	93,720	38,385	27,500	159,605	41,853
Medical Expenses and Supplies	68,346	675	57	69,078	62,580
Merchant Discounts	52,027	(9,334)	274	42,967	35,758
Ministry Account	53,880	-	-	53,880	65,896
Other	75,240	12,539	8,132	95,911	75,615
Outside Services	809,853	101,900	23,812	935,565	749,573
Outreach	15,875	-	-	15,875	22,600
Postage	16,679	20,802	11,601	49,082	45,733
Printing	24,214	12,999	29,301	66,514	57,457
Professional Services	68,630	23,442	222,524	314,596	151,889
Project Expenses	105,517	-	-	105,517	87,347
Promotions	255	10,728	(400)	10,583	2,380
Rent	55,381	192,722	-	248,103	232,493
Retreats and Conferences	191,726	31,859	-	223,585	98,118
Service Charges	8,607	1,618	15	10,240	6,054
Set Up Costs	69,629	-	-	69,629	98,900
Shipping and Freight	55,103	340	163	55,606	59,983
Sponsoring Conference and Education	95,007	-	-	95,007	102,505
Supplies and Cleaning	60,262	21,576	935	82,773	86,829
Travel	1,064,256	212,426	240,922	1,517,604	1,142,174
Utilities	59,688	17,842	164	77,694	80,838
Vehicle Expenses	30,464	-	-	30,464	26,592
Wages, Payroll Taxes and Benefits	5,736,561	982,975	205,108	6,924,644	6,773,420
Totals - 2015	<u>\$ 9,918,285</u>	<u>\$ 1,777,365</u>	<u>\$ 772,453</u>	<u>\$ 12,468,103</u>	
Totals - 2014	<u>\$ 9,159,714</u>	<u>\$ 1,833,382</u>	<u>\$ 210,988</u>		<u>\$ 11,204,084</u>

The accompanying notes are an integral part of the financial statements.

SERGE GLOBAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2015
WITH COMPARATIVE TOTALS AS OF MAY 31, 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 414,106	\$ 646,834
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Contributed Investments	(151,328)	-
Unrealized and Realized (Gain)Loss on Sale of Investments	2,056	(211,117)
(Gain)Loss on Disposal of Property and Equipment	(3,672)	-
Depreciation	45,737	46,368
(Increase) Decrease in Assets:		
Accounts Receivable	(27,821)	(32,090)
Prepaid Expenses	(100,050)	(31,054)
Pledges Receivable	(4,700)	(15,300)
Advances to Missionaries	9,380	(35,135)
Security Deposits	(8,897)	(5,306)
Other Assets	(58,188)	(19,562)
Increase (Decrease) in Liabilities:		
Accounts Payable	(10,453)	(29,167)
Payroll Taxes Payable	5,082	(442)
Monies to be Remitted to the Field	832	3,899
Net Cash Provided by (Used in) Operating Activities	<u>112,084</u>	<u>317,928</u>
Cash Flows from Investing Activities:		
Proceeds from the Sale of Securities	1,150,944	192,828
Purchase of Investment Securities	(462,053)	(365,815)
Purchases of Property and Equipment	(27,690)	(31,857)
Net Cash Provided by (Used in) Investing Activities	<u>661,201</u>	<u>(204,844)</u>
Net Increase in Cash	773,285	113,084
Cash, Beginning of Year	<u>1,460,897</u>	<u>1,347,813</u>
Cash, End of Year	<u>\$ 2,234,182</u>	<u>\$ 1,460,897</u>

The accompanying notes are an integral part of the financial statements.

SERGE GLOBAL, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

WITH COMPARATIVE INFORMATION FOR MAY 31, 2014

Note 1 – Summary of Significant Accounting Policies:

The summary of significant accounting policies of Serge Global, Inc. is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations of the organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles except where noted and have been consistently applied in the preparation of the financial statements.

Nature of Entity:

In April 2014 World Harvest Mission changed its name to Serge Global, Inc. (“Serge”). The Executive Leadership and Board of Directors deemed that a name change was needed to more clearly represent the nature of the organization. Three sub-areas of emphasis were also noted with the name change: Resources, Mentoring and Mission. The organization communicated this name-change via traditional mailings, email and a new website:www.serge.org.

Serge is a mission sending agency founded in 1983; today, we have more than 238 missionaries in 15 countries. We believe the motive and power for mission is the gospel of grace at work in the life of a believer. Our vision is to see movements of churches empowered by grace for the world’s good and God’s glory. We pursue this vision through incarnational ministry, with an emphasis on church planting, incarnating mercy, and equipping church leaders. Serge exists to see individuals, families, communities, and cultures so changed and renewed by the gospel of grace that they passionately pursue their role in the great story of redemption.

Tax Status:

Serge is a Pennsylvania corporation recognized as a non-profit religious corporation exempt from federal income tax under the provisions of Section 501 (c) (3) of the Internal Revenue Code and from Pennsylvania taxation under the applicable provisions of the Commonwealth’s non-profit organization statutes.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires Serge to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed.

The organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax period. The organization believes it is no longer subject to income tax examinations for the years prior to 2012.

The organization’s policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

Notes to Financial Statements - Continued:

Basis of Presentation:

Financial presentation follows the recommendations of the Financial Accounting Standards Board under which the organization 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.

Fund Accounting:

Resources available to Serge are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Board designated funds are allocated to specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purpose established by the source of such funds, and are in contrast with board designated funds over which the Board of Directors retains full control to use in achieving any of its specified purposes.

Comparative Information for the Year Ended May 31, 2014:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Serge's financial statements for the year ended May 31, 2014, from which the summarized information was derived.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, Serge considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Funds held in money market accounts by external investment managers are reported as investments.

Concentration of Credit Risk:

Financial instruments that potentially subject Serge to concentrations of credit risk consist principally of temporary cash investments and accounts and pledges receivable. Serge places its temporary cash investments with several financial institutions and may occasionally maintain deposits in excess of federally insured limits. Concentrations of credit risk with respect to accounts and pledges receivable are limited due to the nature of the Serge's customers and contributors.

Notes to Financial Statements - Continued:

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual funding sources. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. At May 31, 2015 and 2014, management considers all accounts receivable to be entirely collectible.

Pledges Receivable:

Unconditional pledges receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

Investments:

Serge carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property, Equipment and Depreciation:

Property and equipment are recorded at cost, or if donated, at fair market value at the date of the gift. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets ranging from three to thirty years. Assets that are valued over \$1,000 and have estimated useful life of more than one year are capitalized, while assets that are less than this threshold are directly expensed.

Contributed Services and Materials:

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 Serge. A substantial number of volunteers have donated significant amounts of time to Serge's events and programs, however, the value of the volunteers' donated time is not recognized as a contribution in the financial statements since the recognition criteria were not met.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Contributions:

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 increase those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Serge has no permanently restricted activity or net assets.

Notes to Financial Statements - Continued:

Expense Allocation:

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. 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 the organization.

Note 2 – Cash and Cash Equivalents:

Cash and cash equivalents are summarized below as of May 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Business Checking	\$1,909,489	\$ 571,394
Money Market	<u>324,693</u>	<u>889,503</u>
	<u>\$2,234,182</u>	<u>\$1,460,897</u>

At May 31, 2015, \$86,429 was restricted for various purposes dependent upon the donor's intent. At May 31, 2014, that amount was \$87,929.

Note 3 – Investments:

Investments are summarized below as of May 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and Money Markets	\$ 278,024	\$ 821,555
Mutual Funds – Fixed Income	1,318,255	1,312,081
Mutual Funds – Equities	1,296,904	1,276,348
Mutual Funds – Real Estate	145,719	139,111
Mutual Funds – Commodities	110,056	141,691
Common Stock	<u>3,870</u>	<u>1,661</u>
	<u>\$3,152,828</u>	<u>\$3,692,447</u>

The following schedule summarizes the investment return, all of which is classified as unrestricted in the statement of activities for the year then ended:

	<u>2015</u>	<u>2014</u>
Investment Income	\$86,038	\$ 70,706
Net Unrealized and Realized Gains (Losses)	<u>(2,588)</u>	<u>211,117</u>
	<u>\$83,450</u>	<u>\$281,823</u>

Notes to Financial Statements – Continued:

Note 4 – Security Deposits:

When a missionary is sent overseas he or she lives in a rented apartment; most often a security deposit is needed at the signing of the lease. The deposit total represents amounts currently outstanding as a security deposit on the relevant rental. Security deposits are as follows as of May 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
North America	\$ 20,000	\$20,000
Europe	56,035	57,868
Africa	9,377	9,270
Asia	18,773	8,201
South America	539	488
	<u>\$104,724</u>	<u>\$95,827</u>

Note 5 – Property and Equipment:

Property and equipment is composed of the following at May 31, 2015 and 2014:

	<u>2015</u> <u>Cost</u>	<u>2015</u> <u>Depreciation</u> <u>Expense</u>	<u>2015</u> <u>Accumulated</u> <u>Depreciation</u>	<u>2015</u> <u>Net Book</u> <u>Value</u>
Furniture and Equipment	\$161,634	\$ 8,088	\$152,848	\$ 8,786
Vehicles	198,196	32,727	128,673	69,523
Land and Buildings	<u>242,858</u>	<u>4,922</u>	<u>215,216</u>	<u>27,642</u>
	<u>\$602,688</u>	<u>\$45,737</u>	<u>\$496,737</u>	<u>\$105,951</u>
	<u>2014</u> <u>Cost</u>	<u>2014</u> <u>Depreciation</u> <u>Expense</u>	<u>2014</u> <u>Accumulated</u> <u>Depreciation</u>	<u>2014</u> <u>Net Book</u> <u>Value</u>
Furniture and Equipment	\$151,472	\$ 9,535	\$144,760	\$ 6,712
Vehicles	221,673	31,911	140,623	81,050
Land and Buildings	<u>242,858</u>	<u>4,922</u>	<u>210,294</u>	<u>32,564</u>
	<u>\$616,003</u>	<u>\$46,368</u>	<u>\$495,677</u>	<u>\$120,326</u>

Currently, there are no planned major maintenance activities in the upcoming year.

Note 6 – Temporarily Restricted Net Assets:

Net assets were restated as of May 31, 2014 to reflect certain net assets as unrestricted versus temporarily restricted, with no impact on the increase in net assets for the year ended May 31, 2014.

Notes to Financial Statements – Continued:

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Temporarily Restricted for Field Operations:		
BundiMedical Fund	\$15,458	\$16,463
BundiWater Fund	16,864	16,089
Dr. Jonah Memorial Leadership Fund	21,158	18,747
Ireland Church Planters	3,414	155
Kenya Famine Relief	-	278
Kianga Kids Diaconal	2,360	3,911
Kule Family Care Fund	27,084	32,195
London Capital	<u>91</u>	<u>91</u>
	<u>\$86,429</u>	<u>\$87,929</u>

Note 7 – Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors. The purpose for which restrictions were accomplished in 2015 was as follows:

Released from Temporary Restriction for Field Operations:	
Bundibugyo (Christ) School	\$112,423
BundiWater Fund	3,145
BundiMedical Fund	1,004
Dr. Jonah Memorial Leadership Fund	20,769
Ireland Church Planters	7,982
Kenya Mercy Fund	1,953
Kianga Kids Diaconal	1,645
Kule Family Care Fund	<u>8,181</u>
	<u>\$157,102</u>

Note 8 - Cash Flow Information:

There were no non-cash investing or financing activities during the years ending May 31, 2015 or 2014 and the organization paid no cash for interest or taxes in 2015 or 2014.

Note 9 – Fair Value of Financial Instruments:

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements include a hierarchy which prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Notes to Financial Statements – Continued:

The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques. Serge has no Level 3 assets.

The organization measures its investments on a recurring basis at fair value. Investments were measured using the following inputs as of May 31, 2015 and 2014:

	May 31, 2015		May 31, 2014	
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Cash and Money Markets	\$ 278,024	\$ -	\$821,555	\$ -
Mutual Funds – Fixed Income	-	1,318,255	-	1,312,081
Mutual Funds – Equities	1,296,904	-	1,276,348	-
Mutual Funds – Real Estate	-	145,719	-	139,111
Mutual Funds – Commodities	-	110,056	-	141,691
Common Stock	3,870	-	1,661	-
Total	<u>\$1,834,573</u>	<u>\$1,318,255</u>	<u>\$2,099,564</u>	<u>\$1,592,883</u>

Mutual funds are valued at the net asset value (“NAV”) of shares held by the organization at year end. Marketable equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Bond funds are valued at the closing price reported on the active market on which the individual bonds are traded.

The carrying amounts of cash and cash equivalents, accounts and pledges receivable, and accounts payable approximate fair value at May 31, 2015 due to short-term nature of those instruments.

There was no change in the valuation techniques used to value these assets and during the year, there were no transfers between level 1, level 2, or level 3 inputs.

The methods 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, 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.

Notes to Financial Statements – Concluded:

Note 10 – Leases:

Serge has a lease agreement for office space in Jenkintown, Pennsylvania. Serge is responsible for paying all related utility bills and common area maintenance relating to its space. Serge receives one month of rent abatement each year, starting with year two of the lease and continuing through year six. The amount of rent related expense paid was \$206,193 in 2015 and \$232,493 in 2014. The agreement runs through November 2023.

In 2015 Serge entered into two leases for office equipment, with payments of \$196 per month through October of 2019 and \$609 per quarter through February of 2020.

Future lease payments are as follows:

Year ending May 31,	Office Space	Office Equipment	Total
2016	\$ 165,565	\$ 4,788	\$ 170,353
2017	169,820	4,788	174,608
2018	174,075	4,788	178,863
2019	178,330	4,788	183,118
2020	199,219	2,604	201,823
Thereafter	<u>734,210</u>	<u>-</u>	<u>734,210</u>
	<u>\$1,621,219</u>	<u>\$21,756</u>	<u>\$1,642,975</u>

Note 11 – Pension Plan:

Serge maintains a defined contribution plan which covers substantially all employees, as defined in the plan. In 2015, Serge contributed \$306,590 to the plan, and in 2014 the contribution was \$288,632.

Note 12 – Shipping and Handling Costs:

All shipping and handling costs are expensed when incurred and are presented in the statement of activities as a component of expenses.

Note 13 – Related Party Transactions:

Some members of the Board of Directors are employed by companies with which Serge conducts some of its normal business transactions. The Board adheres to a conflict of interest policy which requires periodic disclosure of these transactions to the Board.

Note 14 – Date of Management’s Review:

Management has evaluated events for recognition or disclosure through the date of the independent auditor’s report, which is the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure were noted.