



SERGE GLOBAL, INC
FINANCIAL STATEMENTS
MAY 31, 2014

Morey Nee Buck & Oswald, LLC
Certified Public Accountants and Advisors



SERGE GLOBAL, INC
MAY 31, 2014

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
SERGE GLOBAL, INC
Jenkintown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Serge Global, Inc (a non-profit organization), which comprise the statement of financial position as of May 31, 2014, 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 of 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 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 financial statement.

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 financial statements referred to above present fairly, in all material respects, the financial position of Serge Global, Inc as of May 31, 2014, 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

We have previously audited Serge Global Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2013, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

Morey Nee Buck & Oswald, LLC
Spring House, Pennsylvania
August 26, 2014

SERGE GLOBAL, INC
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF MAY 31, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 1,460,897	\$ 1,347,813
Prepaid expenses	99,051	67,997
Accounts receivable	54,674	22,584
Pledges receivable	15,300	-
Advances to missionaries	118,441	83,306
Investments	3,692,447	3,308,343
Security deposits	95,827	90,521
Other asset	62,825	43,263
Land, building, and equipment, net	<u>120,326</u>	<u>134,837</u>
Total assets	<u>\$ 5,719,788</u>	<u>\$ 5,098,664</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 228,430	\$ 257,597
Payroll withholdings	1,739	2,181
Monies to be remitted to the filed	<u>4,803</u>	<u>904</u>
Total liabilities	<u>234,972</u>	<u>260,682</u>
Net assets:		
Unrestricted	821,617	842,963
Board designated-missionary and project accounts	<u>4,580,582</u>	<u>3,908,451</u>
Total unrestricted	5,402,199	4,751,414
Temporarily restricted	<u>82,617</u>	<u>86,568</u>
Total net assets	<u>5,484,816</u>	<u>4,837,982</u>
Total liabilities and net assets	<u>\$ 5,719,788</u>	<u>\$ 5,098,664</u>

The accompanying footnotes are an integral part of the audited financial statements.

SERGE GLOBAL, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2013

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
Revenues, gains & other support:				
Contributions	\$ 11,255,560	\$ 168,182	\$ 11,423,742	\$ 10,995,095
Discipling and tuition	48,943		48,943	38,824
Literature, tapes and books	44,338		44,338	43,824
Investment return	281,823		281,823	342,929
Other income	52,072		52,072	104,215
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>174,733</u>	<u>(174,733)</u>	<u>-</u>	<u>-</u>
 Total revenues, gains and other support	 <u>11,857,469</u>	 <u>(6,551)</u>	 <u>11,850,918</u>	 <u>11,524,887</u>
 Expenses and losses:				
Field operations	9,159,714		9,159,714	8,872,533
Sending center	1,833,382		1,833,382	1,657,377
Fund raising	<u>210,988</u>		<u>210,988</u>	<u>141,546</u>
 Total expenses and losses	 <u>11,204,084</u>	 <u>-</u>	 <u>11,204,084</u>	 <u>10,671,456</u>
 Surplus (deficit) of revenue over expenses before inter-fund transfers	 653,385	 (6,551)	 646,834	 853,431
Inter-fund transfers	<u>(2,600)</u>	<u>2,600</u>	<u>-</u>	<u>-</u>
 Change in net assets	 650,785	 (3,951)	 646,834	 853,431
Net assets at beginning of year	<u>4,751,414</u>	<u>86,568</u>	<u>4,837,982</u>	<u>3,984,551</u>
Net assets at end of year	<u>\$ 5,402,199</u>	<u>\$ 82,617</u>	<u>\$ 5,484,816</u>	<u>\$ 4,837,982</u>

The accompanying footnotes are an integral part of the audited financial statements.

SERGE GLOBAL, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2013

	<u>Field Operations</u>	<u>Sending Center</u>	<u>Fund Raising</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
Wages, taxes, benefits	\$ 5,604,146	\$ 1,030,028	\$ 139,246	\$ 6,773,420	\$ 6,352,373
Rent	40,862	191,631	-	232,493	312,075
Foreign National Wages	31,371	-	-	31,371	16,243
Computer equipment, maintenance repair	22,478	19,231	144	41,853	53,940
Computer hardware and software	53,283	12,973	-	66,256	76,791
Supplies and cleaning	71,669	14,790	370	86,829	70,815
Insurance	556	23,427	-	23,983	20,398
Professional services	68,009	55,080	28,800	151,889	119,096
Other outside service	579,573	155,818	14,182	749,573	441,531
Cost of goods sold	12,271	-	-	12,271	16,022
Postage	14,359	26,084	5,290	45,733	36,332
Diaconal Needs	26,632	-	-	26,632	20,004
Project expenses	87,347	-	-	87,347	101,626
Grants to foreign organizations	509,502	-	-	509,502	296,141
Travel	951,057	183,812	7,305	1,142,174	1,168,227
Medical expenses and supplies	61,785	795	-	62,580	23,775
Ministry account	65,896	-	-	65,896	99,143
Set up costs	98,900	-	-	98,900	83,847
Outreach	22,600	-	-	22,600	29,723
Education and schooling	240,730	3,532	-	244,262	300,639
Retreats and conference	86,920	9,698	1,500	98,118	86,384
Vehicle	26,592	-	-	26,592	10,136
Printing	25,848	21,133	10,476	57,457	50,038
Books and other literature	16,567	4,193	70	20,830	23,330
Dues and subscriptions	5,811	17,627	-	23,438	27,063
Board meetings	-	-	-	-	28,446
Business meals	61,888	24,996	296	87,180	75,246
Shipping and freight	58,483	1,500	-	59,983	35,396
Depreciation	36,833	9,535	-	46,368	44,007
Service charges, penalties	5,684	370	-	6,054	7,467
Promotions	1,400	980	-	2,380	2,758
Sponsoring conference/education	102,505	-	-	102,505	416,441
Utilities	65,714	14,939	185	80,838	82,237
COBRA expense	342	5,062	-	5,404	30,796
Merchant discounts	42,037	(6,560)	281	35,758	36,930
Other	<u>60,064</u>	<u>12,708</u>	<u>2,843</u>	<u>75,615</u>	<u>76,040</u>
Totals - 2014	<u>\$ 9,159,714</u>	<u>\$ 1,833,382</u>	<u>\$ 210,988</u>	<u>\$ 11,204,084</u>	
Totals - 2013	<u>\$ 8,872,533</u>	<u>\$ 1,657,377</u>	<u>\$ 141,546</u>		<u>\$10,671,456</u>

The accompanying footnotes are an integral part of the audited financial statements.

SERGE GLOBAL, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>646,834</u>	\$ <u>853,431</u>
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Depreciation	46,368	44,007
Unrealized and realized (gains) losses on investments	(211,117)	(250,277)
(Increase) decrease in operating assets:		
Accounts receivable	(32,090)	3,480
Deposit on vehicle	-	23,975
Inventory	-	1,780
Advances to missionaries	(35,135)	22,362
Prepaid expenses	(31,054)	2,343
Security deposits	(5,306)	7,224
Other asset	(19,562)	(43,263)
Promises to give	(15,300)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(29,167)	48,040
Payroll withholdings	(442)	1,624
Monies to be remitted to the field	<u>3,899</u>	<u>(14,306)</u>
Total adjustments	<u>(328,906)</u>	<u>(153,011)</u>
Net cash provided (used) by operating activities	<u>317,928</u>	<u>700,420</u>
Cash flows from investing activities:		
Proceeds from the sale of securities	192,828	279,468
Purchase of investment securities, net of fees \$28,401	(365,815)	(455,120)
Purchase of equipment	<u>(31,857)</u>	<u>(100,735)</u>
Net cash provided (used) by investing activities	<u>(204,844)</u>	<u>(276,387)</u>
Net increase (decrease) in cash and cash equivalents	113,084	424,033
Cash and cash equivalents, beginning of the year	<u>1,347,813</u>	<u>923,780</u>
Cash and cash equivalents, end of the year	<u>\$ 1,460,897</u>	<u>\$ 1,347,813</u>
<u>Supplemental disclosures:</u>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying footnotes are an integral part of the audited financial statements.

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In April 2014 World Harvest Mission changed its name to Serge Global, Inc. 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.

Organization and Purpose

Serge Global, Inc 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.

Serge Global, Inc is a mission sending agency founded in 1983; today, we have more than 216 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 Global, Inc 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.

Fund Accounting

Resources available to Serge Global, Inc 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.

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.

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, Serge Global, Inc 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.

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2014

Donated Assets

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

Investments

Serge Global, Inc 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 \$5,000 and have an estimated useful life of more than one year are capitalized, while assets that are less than this threshold are directly expensed.

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.

Accounting for Uncertainty in Income Taxes

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires Serge Global, Inc 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 open tax period. The Organization believes it is no longer subject to income tax examinations for years prior to 2010.

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

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.

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2014

Fair Value Measurements

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. 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.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized below:

Business checking	\$ 571,394
Money market	<u>889,503</u>
Total cash and cash equivalents	<u>\$ 1,460,897</u>

At the end of the year, \$82,617 was restricted for various purposes dependent upon the donor's intent.

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2014

3. INVESTMENTS

Investments are summarized below:

Cash and money markets	\$ 823,215
Bond funds	1,002,817
Mutual index funds	936,083
Equity funds	<u>930,332</u>
Total investments	<u>\$ 3,692,447</u>

The Organization 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.

The following schedule summarizes the investment return and its classification in the statement of activities for the year then ended:

<u>Unrestricted</u>	
Investment income	\$ 70,706
Unrealized and realized gains (losses)	<u>211,117</u>
Total investment returns	<u>\$ 281,823</u>

4. SECURITY DEPOSITS

Security deposits consisted of the following:

North America	\$ 20,000
Europe	57,868
Africa	9,270
Asia	8,201
South America	<u>488</u>
Total security deposits	<u>\$ 95,827</u>

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.

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2014

5. PREPAID EXPENSES

Prepaid expenses consisted of the following:

Prepaid airfare, conferences, and retreats	\$ <u>99,051</u>
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6. LAND, BUILDINGS AND EQUIPMENT, NET

Fixed assets and accumulated depreciation accounts are composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Net book Value</u>
Furniture & equipment	\$ 151,472	\$ 9,535	\$ 144,760	\$ 6,712
Vehicles	221,673	31,911	140,623	81,050
Land & buildings	<u>242,858</u>	<u>4,922</u>	<u>210,294</u>	<u>32,564</u>
Totals	<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.

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:

Field Operations:

Kianga Kids Diaconal	\$ 6,661
Bundibugyo (Christ) School	107,983
Dr Jonah Memorial Leadership Fund	19,971
Kule Family Care Fund	12,218
Ireland Church Planters	13,935
BundiWater Fund	11,390
BundiMedical Fund	<u>2,575</u>
Total restrictions released	<u>\$ 174,733</u>

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2014

8. NET ASSETS: TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

Field Operations:

Kianga Kids Diaconal	\$ 3,911
Kenya Famine Relief	278
Bundibugyo (Christ) School	(5,312)
Dr Jonah Memorial Leadership Fund	18,747
Kule Family Care Fund	32,195
Ireland Church Planters	155
London Capital	91
BundiWater Fund	16,089
BundiMedical Fund	<u>16,463</u>
Total net assets: temporarily restricted	<u>\$ 82,617</u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization measures its investments on a recurring basis at fair value. These items were measured using the following inputs as of May 31, 2014:

	Quoted Prices in Active Markets (Level 1)	Other Observable inputs (Level 2)
Assets:		
Money market accounts	\$ 823,215	
Mutual funds- equity funds	930,332	
Mutual funds- index funds	936,083	
Bond funds	<u> </u>	<u>\$ 1,002,817</u>
Total	<u>\$ 2,689,630</u>	<u>\$ 1,002,817</u>

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at May 31, 2014 due to short-term nature of those instruments.

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.

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

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
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9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

10. OFFICE LEASE

During the year Serge Global, Inc entered into a lease agreement with 101 West Avenue Partners, LP, to rent office space at 101 West Avenue, Jenkintown, PA. Serge Global, Inc will be responsible for paying all related utility bills and common area maintenance relating to its space. Serge Global, Inc will receive one months of rent abatement each year, starting with year two of the lease and continuing through year six. The amount of rent related expense paid for the fiscal year ended May 31, 2014 was \$232,493. The agreement runs through November 2023. Future lease payments are as follows:

Fiscal year ended:	
2015	\$ 161,310
2016	165,565
2017	169,820
2018	174,075
2019	178,330
2020 and thereafter	<u>933,429</u>
Total	<u>\$ 1,782,529</u>

11. PENSION PLAN

Serge Global, Inc maintains a defined contribution plan which covers substantially all employees, as defined in the plan. Serge Global, Inc contributed \$288,632 to the plan during the fiscal year.

12. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Serge Global, Inc maintains its cash balances in three financial institutions located in Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

There are times throughout the year when the Organization's cash balances exceed the federally insured limit. The Organization considers the risk of total loss associated with exceeding the federally insured limits minimal.

SERGE GLOBAL, INC
NOTES TO THE FINANCIAL STATEMENTS
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13. *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.

14. *DATE OF MANAGERMENTS REVIEW*

Management has evaluated subsequent events and transactions for potential recognition or disclosure through August 26, 2014, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.