

**SERGE GLOBAL, INC.**

**AUDITED FINANCIAL STATEMENTS**

**MAY 31, 2020**

**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 - 16



**Canon Capital**

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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, 2020, 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 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 statements.

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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Canon Capital CPAs*

September 17, 2020  
Harleysville, Pennsylvania

**SERGE GLOBAL, INC.**

**STATEMENT OF FINANCIAL POSITION**

**MAY 31, 2020**

**WITH COMPARATIVE TOTALS AS OF MAY 31, 2019**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Cash	\$ 2,666,354	\$ 2,462,715
Accounts Receivable	21,764	87,691
Prepaid Expenses	396,702	355,909
Advances to Missionaries	349,680	468,191
Investments	7,455,946	7,173,192
Security Deposits	150,883	164,963
Other Assets	280,686	284,840
Property and Equipment - Net of Accumulated Depreciation	<u>235,161</u>	<u>170,974</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 11,557,176</u></u></b>	<b><u><u>\$ 11,168,475</u></u></b>
<b><u>LIABILITIES</u></b>		
Accounts Payable	\$ 234,658	\$ 410,294
Monies to be Remitted to the Field	100	25,531
Deferred Revenue	56,285	-
Note Payable	600,000	-
Deferred Lease Incentive	<u>168,000</u>	<u>120,000</u>
<b>Total Liabilities</b>	<b><u><u>1,059,043</u></u></b>	<b><u><u>555,825</u></u></b>
<b><u>NET ASSETS</u></b>		
Without Donor Restrictions:		
Board Designated for Missionaries and Projects	9,888,611	9,450,044
Undesignated	<u>419,835</u>	<u>1,018,055</u>
Total Without Donor Restrictions	<u>10,308,446</u>	<u>10,468,099</u>
With Donor Restrictions	<u>189,687</u>	<u>144,551</u>
Total Net Assets	<u>10,498,133</u>	<u>10,612,650</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 11,557,176</u></u></b>	<b><u><u>\$ 11,168,475</u></u></b>

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

**SERGE GLOBAL, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MAY 31, 2020**  
**WITH COMPARATIVE TOTALS AS OF MAY 31, 2019**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2020</u> <u>Totals</u>	<u>2019</u> <u>Totals</u>
Support and Revenue:				
Contributions and Grants	\$ 19,169,788	\$ 410,931	\$ 19,580,719	\$ 18,501,930
Discipling Tuition	90,739	-	90,739	91,660
Investment Income	108,444	-	108,444	50,593
Other Income	136,737	-	136,737	197,750
Total Support and Revenue	<u>19,505,708</u>	<u>410,931</u>	<u>19,916,639</u>	<u>18,841,933</u>
Net Assets Released from Program Restrictions	<u>365,795</u>	<u>(365,795)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, and Reclassifications	<u>19,871,503</u>	<u>45,136</u>	<u>19,916,639</u>	<u>18,841,933</u>
Expenses:				
Field Operations	16,368,529	-	16,368,529	14,702,170
Sending Center	3,097,751	-	3,097,751	2,498,236
Fundraising	564,876	-	564,876	460,514
Total Expenses	<u>20,031,156</u>	<u>-</u>	<u>20,031,156</u>	<u>17,660,920</u>
Increase (Decrease) in Net Assets	(159,653)	45,136	(114,517)	1,181,013
Net Assets, Beginning of Year	<u>10,468,099</u>	<u>144,551</u>	<u>10,612,650</u>	<u>9,431,637</u>
Net Assets, End of Year	<u>\$ 10,308,446</u>	<u>\$ 189,687</u>	<u>\$ 10,498,133</u>	<u>\$ 10,612,650</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, 2020**  
**WITH COMPARATIVE TOTALS AS OF MAY 31, 2019**

	<u>Field</u> <u>Operations</u>	<u>Sending</u> <u>Center</u>	<u>Fund-</u> <u>raising</u>	<u>2020</u> <u>Totals</u>	<u>2019</u> <u>Totals</u>
Books & Other Literature	\$ 30,779	\$ 2,473	\$ 2,723	\$ 35,975	\$ 29,719
Business Meals	154,683	31,334	10,704	196,721	218,177
Computer Hardware & Software	64,324	13,582	3,476	81,382	80,271
Cost of Goods Sold	86	-	-	86	2,917
Depreciation	10,182	41,937	-	52,119	27,389
Diaconal Needs	90,511	-	-	90,511	40,486
Dues & Subscriptions	21,147	34,137	222	55,506	45,745
Education & Schooling	337,546	463	-	338,009	301,007
Foreign National Wages	70,410	-	-	70,410	56,641
Grants to Foreign Organizations	1,465,539	-	-	1,465,539	788,350
Insurance	16,454	40,753	-	57,207	45,179
Leases, Maintenance & Repairs	209,719	112,909	2,773	325,401	272,612
Medical Expenses & Supplies	175,237	3,256	-	178,493	71,357
Merchant Discounts	144,773	6,630	-	151,403	118,573
Ministry Account	4,605	-	-	4,605	19,383
Other	172,295	62,484	6,207	240,986	198,968
Outside Services	1,900,353	202,002	50,430	2,152,785	2,104,210
Outreach	22,952	-	-	22,952	34,126
Postage	16,149	30,519	2,223	48,891	38,922
Printing	33,475	21,986	2,521	57,982	57,890
Professional Services	94,546	45,294	22,202	162,042	134,978
Project Expenses	345,291	-	-	345,291	322,543
Promotions	1,648	10,583	-	12,231	9,350
Rent	42,463	248,705	785	291,953	260,191
Retreats & Conferences	183,402	14,369	-	197,771	241,456
Service Charges	11,434	15,443	-	26,877	12,677
Set Up Costs	109,870	-	-	109,870	160,778
Shipping & Freight	68,591	193	-	68,784	67,962
Sponsoring Conference & Education	110,471	9,500	-	119,971	234,975
Supplies & Cleaning	72,850	23,981	1,724	98,555	98,080
Travel	1,456,162	169,936	39,655	1,665,753	1,563,736
Utilities	24,404	10,824	3,189	38,417	28,293
Vehicle Expenses	69,041	-	-	69,041	10,428
Wages, Payroll Taxes & Benefits	8,837,137	1,944,458	416,042	11,197,637	9,963,551
Totals	<u>\$ 16,368,529</u>	<u>\$ 3,097,751</u>	<u>\$ 564,876</u>	<u>\$ 20,031,156</u>	<u>\$ 17,660,920</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, 2020**  
**WITH COMPARATIVE TOTALS AS OF MAY 31, 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ (114,517)	\$ 1,181,013
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Contributed Investments	(185,238)	(162,606)
Unrealized and Realized (Gain) Loss on Sale of Investments	63,981	121,485
(Gain) Loss on Disposal of Fixed Assets	-	(20,000)
Depreciation	52,119	27,389
(Increase) Decrease in Assets:		
Accounts Receivable	65,927	(73,634)
Prepaid Expenses	(40,793)	(152,416)
Pledges Receivable	-	650
Advances to Missionaries	118,511	(242,786)
Security Deposits	14,080	(29,155)
Other Assets	4,154	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(175,636)	109,140
Monies to be Remitted to the Field	(25,431)	12,282
Deferred Revenue	56,285	-
Deferred Lease Incentive	48,000	120,000
Net Cash Provided by (Used in) Operating Activities	<u>(118,558)</u>	<u>891,362</u>
Cash Flows from Financing Activities:		
Proceeds from Note Payable	<u>600,000</u>	<u>-</u>
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	160,867	544,397
Proceeds from the Sale of Property and Equipment	-	20,000
Purchase of Investments	(322,364)	(2,442,131)
Purchase of Property and Equipment	<u>(116,306)</u>	<u>(155,914)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(277,803)</u>	<u>(2,033,648)</u>
Net Increase (Decrease) in Cash	203,639	(1,142,286)
Cash, Beginning of Year	<u>2,462,715</u>	<u>3,605,001</u>
Cash, End of Year	<u>\$ 2,666,354</u>	<u>\$ 2,462,715</u>

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



**SERGE GLOBAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2020**

**WITH COMPARATIVE INFORMATION FOR MAY 31, 2019**

**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:**

Serge Global, Inc (“Serge”) is a mission sending agency founded in 1983; today, Serge has 304 missionaries in 25 countries. The motive and power for Serge’s mission is the gospel of grace at work in the life of a believer and the vision is to see movements of churches empowered by grace for the world’s good and God’s glory. This vision is pursued 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 2017.

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

**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 two classes of net assets: net assets without donor restrictions and donor-restricted net assets.

**Notes to Financial Statements - Continued:**

**Comparative Information for the Year Ended May 31, 2019:**

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, 2019, 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.

**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 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, 2020 and 2019, 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.

**Notes to Financial Statements - Continued:**

**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 lives of more than one year are capitalized, while assets that are less than this threshold are directly expensed, as are all assets purchased for use in field operations.

**Deferred Revenue:**

Deferred revenue represents tuition and fees received in advance for Serge's discipling programs.

**Net Assets:**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions:* Net assets available for use in general operations and not subject to donor (or grantor) restrictions. These net assets can be used at the discretion of the organization's management and board of directors.

*Net Assets With Donor Restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**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.

**Revenue Recognition:**

Contributions are recognized when cash, an unconditional promise to give, or other assets are received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor releases the restriction.

Revenue is recognized when earned. Tuition for the discipling programs is earned over time as the participants complete the course work. Serge utilizes certain software to measure course completion and recognizes revenue accordingly. Revenue is reported at the amount of consideration expected in exchange for the normal tuition rates.

## **Notes to Financial Statements - Continued:**

### **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.

### **Expense Allocation:**

Expenses are charged to programs and supporting services based on periodic time and expense studies or square footage. 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.

### **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 Serge's customers and contributors.

### **New Accounting Pronouncements:**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The organization has implemented ASU 2014-09 retrospectively to all periods presented and determined that there were no changes to revenue recognition and therefore no effect on the financial statements. These footnotes reflect required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The organization has implemented ASU 2018-08 retrospectively to all periods presented and determined that there were no changes to the recognition of contributions and therefore no effect on the financial statements.

### **Note 2 – Liquidity and Availability:**

As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Board designated net assets without donor restrictions can be made available for general expenditures if deemed necessary.

**Notes to Financial Statements – Continued:**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 2,666,354
Accounts Receivable	21,764
Investments	<u>7,455,946</u>
	10,144,064
Less Amounts Subject to Donor Restrictions	<u>(189,687)</u>
Financial assets available to meet general expenditures over the next twelve	<u>\$ 9,954,377</u>

**Note 3 – Cash and Cash Equivalents:**

Cash and cash equivalents are summarized below as of May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Business Checking	\$2,602,387	\$2,451,739
Money Market	<u>63,967</u>	<u>10,976</u>
	<u>\$2,666,354</u>	<u>\$2,462,715</u>

At May 31, 2020, \$189,687 was restricted for various purposes dependent upon the donor's intent. At May 31, 2019, that amount was \$144,551.

**Note 4 – Investments:**

Investments are summarized below as of May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and Money Markets	\$ 519,995	\$ 357,580
Mutual Funds – Fixed Income	3,302,512	3,153,360
Mutual Funds – Equities	2,900,898	2,838,290
Mutual Funds – Real Estate	281,990	327,702
Mutual Funds – Commodities	161,751	192,011
Common Stock	<u>288,800</u>	<u>304,249</u>
	<u>\$7,455,946</u>	<u>\$7,173,192</u>

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

	<u>2020</u>	<u>2019</u>
Investment Income	\$205,565	\$201,440
Net Unrealized and Realized Gains (Losses)	(63,981)	(121,485)
Fees	<u>(33,140)</u>	<u>(29,362)</u>
	<u>\$108,444</u>	<u>\$ 50,593</u>

**Notes to Financial Statements – Continued:**

**Note 5 – 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
North America	\$ 22,725	\$ 22,725
Europe	92,542	100,386
Africa	9,483	10,381
Asia	21,056	23,799
South & Central America	<u>5,077</u>	<u>7,672</u>
	<u>\$150,883</u>	<u>\$164,963</u>

**Note 6 – Property and Equipment:**

Property and equipment is composed of the following at May 31, 2020 and 2019:

	<u>2020</u> <u>Cost</u>	<u>2020</u> <u>Depreciation</u> <u>Expense</u>	<u>2020</u> <u>Accumulated</u> <u>Depreciation</u>	<u>2020</u> <u>Net Book</u> <u>Value</u>
Furniture and Equipment	\$117,519	\$28,123	\$ 71,873	\$ 45,646
Vehicles	188,237	10,220	177,418	10,819
Leasehold Improvements	182,595	12,260	12,260	170,335
Land and Buildings	<u>242,858</u>	<u>1,516</u>	<u>234,497</u>	<u>8,361</u>
	<u>\$731,209</u>	<u>\$52,119</u>	<u>\$496,048</u>	<u>\$235,161</u>
	<u>2019</u> <u>Cost</u>	<u>2019</u> <u>Depreciation</u> <u>Expense</u>	<u>2019</u> <u>Accumulated</u> <u>Depreciation</u>	<u>2019</u> <u>Net Book</u> <u>Value</u>
Furniture and Equipment	\$ 61,213	\$12,300	\$ 43,750	\$ 17,463
Vehicles	188,237	12,090	167,198	21,039
Leasehold Improvements	122,595	-	-	122,595
Land and Buildings	<u>242,858</u>	<u>2,999</u>	<u>232,981</u>	<u>9,877</u>
	<u>\$614,903</u>	<u>\$27,389</u>	<u>\$443,929</u>	<u>\$170,974</u>

**Note 7 – Note Payable:**

In April of 2020, Serge received \$600,000 in funds via the Paycheck Protection Program (“PPP”) created as part of the federal government’s COVID-19 relief efforts, specifically the Coronavirus Aid, Relief and Economic Security Act (“CARES”). Under the PPP, the organization will be able to apply for forgiveness on most if not all the loan if certain criteria are met. The organization expects to use all of the funds for eligible loan forgiveness costs and therefore anticipates the loan will be fully forgiven under current regulations. Any amount not forgiven will bear interest at 1% and is payable over two years.

**Notes to Financial Statements – Continued:**

**Note 8 – Net Assets:**

Net assets with restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Donor Restricted for Field Operations:		
BundiMedical Fund	\$30,179	\$ 26,648
BundiWater Fund	8,857	22,928
Bundibugyo (Christ) School	67,385	46,140
Uganda Relief Project	38,236	-
Dr. Jonah Memorial Leadership Fund	10,673	8,872
Kule Family Care Fund	9,913	14,546
Kenya Mercy (Famine Relief) Fund	14,543	-
Ireland Church Planters	9,829	25,345
London Capital	<u>72</u>	<u>72</u>
	<u>\$189,687</u>	<u>\$144,551</u>

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 2020 was as follows:

Released from Donor Restriction for Field Operations:

BundiMedical Fund	\$ 22,445
BundiWater Fund	29,325
Bundibugyo (Christ) School	197,559
Uganda Relief Project	60,324
Dr. Jonah Memorial Leadership Fund	12,326
Kule Family Care Fund	6,234
Kenya Mercy (Famine Relief) Fund	11,206
Ireland Church Planters	<u>26,376</u>
	<u>\$365,795</u>

**Note 9 - Cash Flow Information:**

There were no non-cash investing or financing activities during the years ending May 31, 2020 or 2019 and the organization paid no cash for interest or income taxes in 2020 or 2019.

**Note 10 – 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, 2020 and 2019:

	<u>May 31, 2020</u>		<u>May 31, 2019</u>	
	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>
Cash and Money Markets	\$ 519,995	\$ -	\$ 357,580	\$ -
Mutual Funds – Fixed Income	-	3,302,512	-	3,153,360
Mutual Funds – Equities	2,900,898	-	2,838,290	-
Mutual Funds – Real Estate	-	281,990	-	327,702
Mutual Funds – Commodities	-	161,751	-	192,011
Marketable Equity Securities	<u>288,800</u>	<u>-</u>	<u>304,249</u>	<u>-</u>
Total	<u>\$3,709,693</u>	<u>\$3,746,253</u>	<u>\$3,500,119</u>	<u>\$3,673,073</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. There was no change in the valuation techniques used to value these assets during the year, and 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.

The carrying amounts of cash and cash equivalents, accounts and pledges receivable, and accounts payable approximate fair value at May 31, 2020 due to the short-term nature of those instruments.



**Notes to Financial Statements – Continued:**

**Note 11 – Leases:**

Serge leases office space in Jenkintown, Pennsylvania under a lease with an original date of May 2, 2013. The original lease term was 10 years and five months, with one five-year optional extension. In November of 2018 and then again in September of 2019, the lease was amended to include additional square footage. The amendment has a ten-year term, expiring on December 31, 2029 and monthly payments based on a specified rent per square footage. As of May 31, 2020, the monthly rent was \$21,120. In addition to rent, Serge is responsible for paying all related utility bills and common area maintenance relating to its space. As part of the lease amendments, the landlord offered a \$180,000 leasehold improvements allowance, which was deferred and will be recognized over the ten-year term of the lease.

The amount of rent-related expense paid was \$248,193 in 2020 and \$230,626 in 2019.

In addition, Serge has two leases for office equipment, with payments of \$86 per month through February of 2024 and \$838 per quarter through September of 2024.

Future lease payments are as follows:

<u>Year ending</u> <u>May 31,</u>	<u>Office</u> <u>Space</u>	<u>Office</u> <u>Equipment</u>	<u>Total</u>
2021	\$ 270,455	\$ 4,384	\$ 274,839
2022	276,666	4,384	281,050
2023	282,877	4,384	287,261
2024	289,088	4,126	293,214
2025	295,299	838	296,137
Thereafter	<u>1,390,108</u>	<u>-</u>	<u>1,390,108</u>
	<u>\$2,804,493</u>	<u>\$18,116</u>	<u>\$2,822,609</u>

**Note 12 – Pension Plan:**

Serge maintains a defined contribution plan which covers substantially all employees, as defined in the plan. In 2020, Serge contributed \$451,268 to the plan, and in 2019 the contribution was \$393,750.

**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 – Subsequent Events:**

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. In July of 2020, Serge received notice of a \$50,000 civil penalty to be imposed on the defined contribution plan for late filing of the 2018 Form 5500 and audit. Serge responded to this notice in a timely manner noting reasonable cause and requesting abatement of the penalty. As of the report date, the penalty has been reduced to \$5,000, which will be paid immediately.

**Notes to Financial Statements – Concluded:**

In addition, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Given the resulting job losses and economic downturn, the organization is aware that there may be a negative impact on its operating results in 2021. However, the related financial impact and duration cannot be reasonably estimated at this time.

No other subsequent events requiring recognition or disclosure were noted.