

**SERGE GLOBAL, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2022**  
(See Independent Auditors' Report)



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## Independent Auditors' Report

Board of Directors  
Serge Global, Inc.  
Jenkintown, Pennsylvania

### **Opinion**

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Serge Global, Inc. as of May 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Serge Global, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Serge Global, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

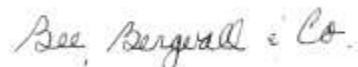
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Serge Global, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Serge Global, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

Serge Global Inc's 2021 financial statements were audited by other auditors who expressed an unmodified opinion on those audited financial statements in their report dated September 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bee, Bergvall & Co., P.C.  
Certified Public Accountants

Warrington, PA  
September 8, 2022

SERGE GLOBAL, INC.

Statements of Financial Position

May 31, 2022 and 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
Cash	\$ 2,833,510	\$ 4,780,672
Accounts Receivable	50,929	62,920
Prepaid Expenses	118,393	332,813
Pledges Receivable	43,000	10,000
Advances to Missionaries	80,556	64,701
Investments	9,941,928	8,606,038
Security Deposits	141,071	153,237
Other Assets	380,686	280,686
Property and Equipment - Net of Accumulated Depreciation	<u>168,352</u>	<u>195,809</u>
Total Assets	<u>\$ 13,758,425</u>	<u>\$ 14,486,876</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Accounts Payable	\$ 357,974	\$ 451,431
Deferred Revenue	70,094	62,809
Deferred Lease Incentive	<u>132,000</u>	<u>150,000</u>
Total Liabilities	<u>560,068</u>	<u>664,240</u>
Without Donor Restrictions		
Board Designated for Missionaries and Projects	10,733,574	11,023,199
Undesignated	<u>2,170,236</u>	<u>2,605,692</u>
Total Without Donor Restrictions	12,903,810	13,628,891
With Donor Restrictions	<u>294,547</u>	<u>193,745</u>
Total Net Assets	<u>13,198,357</u>	<u>13,822,636</u>
Total Liabilities and Net Assets	<u>\$ 13,758,425</u>	<u>\$ 14,486,876</u>

SERGE GLOBAL, INC.

Statements of Activities

For the Year Ended May 31, 2022

(With Summarized Comparative Totals for the Year Ended May 31, 2021)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2022</u> <u>Totals</u>	<u>2021</u> <u>Totals</u>
Support and Revenue				
Contributions and Grants	\$ 24,102,959	\$ 628,718	\$ 24,731,677	\$ 21,471,277
Discipling Tuition	140,420	-	140,420	100,755
Investment Income	(366,063)	-	(366,063)	1,624,402
Other Income	184,241	-	184,241	142,147
Note Payable - PPP Forgiveness	-	-	-	603,933
Total Support and Revenue	<u>24,061,557</u>	<u>628,718</u>	<u>24,690,275</u>	<u>23,942,514</u>
Net Assets Released from Program Restrictions	<u>527,916</u>	<u>(527,916)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, and Reclassifications	<u>24,589,473</u>	<u>100,802</u>	<u>24,690,275</u>	<u>23,942,514</u>
Expenses				
Field Operations	21,255,018	-	21,255,018	16,995,610
Home Office	3,216,260	-	3,216,260	2,892,274
Fundraising	<u>843,276</u>	<u>-</u>	<u>843,276</u>	<u>730,127</u>
Total Expenses	<u>25,314,554</u>	<u>-</u>	<u>25,314,554</u>	<u>20,618,011</u>
Increase (Decrease) in Net Assets	(725,081)	100,802	(624,279)	3,324,503
Net Assets, Beginning of Year	<u>13,628,891</u>	<u>193,745</u>	<u>13,822,636</u>	<u>10,498,133</u>
Net Assets, End of Year	<u>\$ 12,903,810</u>	<u>\$ 294,547</u>	<u>\$ 13,198,357</u>	<u>\$ 13,822,636</u>

SERGE GLOBAL, INC.

Statements of Functional Expense

For the Year Ended May 31, 2022

(With Summarized Comparative Totals for the Year Ended May 31, 2021)

	<u>Field</u>	<u>Home</u>	<u>Fundraising</u>	<u>2022</u>	<u>2021</u>
	<u>Operations</u>	<u>Office</u>		<u>Totals</u>	<u>Totals</u>
Books & Other Literature	\$ 25,105	\$ 2,141	\$ 728	\$ 27,974	\$ 34,190
Business Meals	158,638	26,766	12,342	197,746	91,340
Computer Hardware & Software	79,954	22,670	1,227	103,851	117,308
Cost of Goods Sold	-	-	-	-	1,079
Depreciation	25,452	29,733	1,438	56,623	60,448
Diaconal Needs	122,622	-	-	122,622	146,143
Dues & Subscriptions	26,887	50,155	704	77,746	62,885
Education & Schooling	443,883	1,308	-	445,191	355,682
Foreign National Wages	84,169	-	-	84,169	81,870
Grants to Foreign Organizations	1,604,197	-	-	1,604,197	1,677,248
Insurance	54,010	146,309	254	200,573	177,235
Leases Maintenance & Repairs	138,961	80,058	4,982	224,001	210,007
Medical Expenses & Supplies	92,829	320	-	93,149	137,438
Merchant Discounts	137,982	-	-	137,982	152,177
Ministry Account	21,916	-	-	21,916	13,970
Other	119,454	72,161	9,844	201,459	245,403
Outside Services	2,744,851	167,464	57,908	2,970,223	2,336,551
Outreach	23,755	-	-	23,755	18,228
Postage	17,077	18,414	13,210	48,701	50,192
Printing	32,440	10,101	16,873	59,414	51,284
Professional Services	194,979	8,551	17,950	221,480	189,835
Project Expenses	788,936	-	-	788,936	175,541
Promotions	1,417	4,028	188	5,633	9,862
Rent	35,636	301,055	593	337,284	331,122
Retreats & Conferences	111,007	32,221	53	143,281	96,993
Service Charges	13,898	15,199	-	29,097	27,757
Set Up Costs	104,410	-	-	104,410	99,171
Shipping & Freight	98,953	286	-	99,239	88,196
Sponsoring Conference & Education	676,834	22,594	537	699,965	64,568
Supplies & Cleaning	70,528	12,430	1,276	84,234	71,761
Travel	1,734,776	147,778	39,707	1,922,261	802,287
Utilities	34,863	8,072	3,848	46,783	25,069
Vehicle Expenses	5,457	-	-	5,457	60,939
Wages Payroll Taxes & Benefits	11,429,142	2,036,446	659,614	14,125,202	12,554,232
Total Expenses	<u>\$ 21,255,018</u>	<u>\$ 3,216,260</u>	<u>\$ 843,276</u>	<u>\$ 25,314,554</u>	<u>\$ 20,618,011</u>



SERGE GLOBAL, INC.

Statements of Cash Flows

For the Year Ended May 31, 2022

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ (624,279)	\$ 3,324,503
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Contributed Investments	(284,380)	(328,480)
Unrealized and Realized (Gain) Loss on Sale of Investments	679,567	(1,523,984)
Dividends and Interest Reinvested	(315,680)	(132,673)
Note Payable - PPP Forgiveness	-	(600,000)
Depreciation	56,623	60,448
(Increase) Decrease in Assets:		
Accounts Receivable	11,991	(41,156)
Prepaid Expenses	214,420	63,888
Pledges Receivable	(33,000)	(10,000)
Advances to Missionaries	(15,855)	284,979
Security Deposits	12,166	(2,355)
Other Assets	(100,000)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(93,457)	216,774
Monies to be Remitted to the Field	-	(100)
Deferred Revenue	7,285	6,523
Deferred Lease Incentive	(18,000)	(18,000)
Net Cash Provided by (Used in) Operating Activities	<u>(502,599)</u>	<u>1,300,367</u>
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	4,660,531	1,033,852
Purchase of Investments	(6,075,928)	(198,806)
Purchase of Property and Equipment	(29,166)	(21,095)
Net Cash Provided by (Used in) Investing Activities	<u>(1,444,563)</u>	<u>813,951</u>
Net Increase (Decrease) in Cash	(1,947,162)	2,114,318
Cash, Beginning of Year	<u>4,780,672</u>	<u>2,666,354</u>
Cash, End of Year	<u>\$ 2,833,510</u>	<u>\$ 4,780,672</u>

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**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 330 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 2018.

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.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*Comparative Information:* 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, 2021, 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.

*Credit Risk:* The Organization maintains cash balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances exceeded the insurance limits as of May 31, 2022 by \$2,111,817.

*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, 2022, 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.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*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 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.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*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.

*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.

*Subsequent Events:* Management has evaluated events for recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure were noted.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**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.

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	\$ 2,833,510
Accounts Receivable	50,929
Investments	<u>9,941,928</u>
	12,826,367
Less Amounts Subject to Donor Restrictions	<u>(294,547)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 12,531,820</u>

**NOTE 3. Cash and Cash Equivalents**

Cash and cash equivalents are summarized below as of May 31, 2022:

	<u>2022</u>
Business Checking	\$ 2,809,393
Money Market	<u>24,117</u>
	<u>\$ 2,833,510</u>

At May 31, 2022, \$294,547 was restricted for various purposes dependent upon the donor's intent. At May 31, 2021, that amount was \$193,745.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**NOTE 4. Investments**

Investments are summarized below as of May 31, 2022:

	<u>2022</u>
Cash and Money Markets	\$ 456,651
Mutual Funds - Fixed Income	1,782,309
Mutual Funds - Domestic Equities	4,010,432
Mutual Funds - International Equities	688,161
Exchange Traded Funds	2,689,835
Common Stock	314,540
	<u>\$ 9,941,928</u>

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

	<u>2022</u>
Investment Income	\$ 349,132
Net Unrealized and Realized Gains (Losses)	(679,567)
Fees	(35,628)
	<u>\$ (366,063)</u>

**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, 2022:

	<u>2022</u>
North America	\$ 20,000
Europe	102,980
Africa	8,664
Asia	4,290
South & Central America	5,137
	<u>\$ 141,071</u>

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**NOTE 6. Property and Equipment**

Property and equipment is composed of the following at May 31, 2022:

		<u>2022</u>		
	<u>Cost</u>	Depreciation <u>Expense</u>	Accumulated <u>Depreciation</u>	Net Book <u>Value</u>
Furniture and Equipment	\$ 135,976	\$ 35,529	\$ 109,505	\$ 26,471
Vehicles	188,237	1,800	186,437	1,800
Leasehold Improvements	182,595	18,260	48,779	133,816
Land and Buildings	<u>242,858</u>	<u>1,034</u>	<u>236,593</u>	<u>6,265</u>
	<u>\$ 749,666</u>	<u>\$ 56,623</u>	<u>\$ 581,314</u>	<u>\$ 168,352</u>

**NOTE 7. Net Assets**

Net assets with restrictions are available for the following purposes:

	<u>2022</u>
Donor Restricted for Field Operations:	
BundiMedical Fund	\$ 25,175
BundiWater Fund	62,415
Bundibugyo (Christ) School	81,593
Dr. Jonah Memorial Leadership Fund	5,057
Uganda Relief Project	15,268
Kule Family Care Fund	7,813
Kenya Mercy (Famine Relief) Fund	1,791
Ireland Church Planters	15,415
London Capital	-
Europe Refugees	<u>80,020</u>
	<u>\$ 294,547</u>



SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**NOTE 7. Net Assets (Continued)**

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 2022 was as follows:

Released from Donor Restriction for Field Operations:

BundiMedical Fund	\$ 17,697
BundiWater Fund	7,743
Bundibugyo (Christ) School	295,137
Dr. Jonah Memorial Leadership Fund	4,645
Uganda Relief Project	49,611
Kule Family Care Fund	3,765
Kenya Mercy (Famine Relief) Fund	359
Ireland Church Planters	756
London Capital	71
Europe Refugees	148,132
	<u>\$ 527,916</u>

Net assets are designated by the Board for the following purposes:

	<u>2022</u>
Board Designated	
Support Raising	\$ 8,028,944
Projects-Field	1,329,663
Projects-Reserved Capital	1,338,615
Property Plant and Equipment	36,352
	<u>\$ 10,733,574</u>

**NOTE 8. Cash Flow Information**

There were no non-cash investing or financing activities during the years ending May 31, 2022 and the organization paid no cash for interest or income taxes in 2022.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**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.

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.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**NOTE 9. Fair Value of Financial Instruments (Continued)**

The organization measures its investments on a recurring basis at fair value. Investments were measured using the following inputs as of May 31, 2022:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Markets	\$ 456,651	\$ -	\$ -	\$ 456,651
Mutual Funds - Fixed Income	-	1,782,309	-	1,782,309
Mutual Funds - Domestic Equities	4,010,432	-	-	4,010,432
Mutual Funds - International Equities	688,161	-	-	688,161
Exchange Traded Funds	2,689,835	-	-	2,689,835
Common Stock	314,540	-	-	314,540
	<u>\$ 8,159,619</u>	<u>\$ 1,782,309</u>	<u>\$ -</u>	<u>\$ 9,941,928</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, 2022 due to the short-term nature of those instruments.

**NOTE 10. Pension Plan**

Serge maintains a defined contribution plan which covers substantially all employees, as defined in the plan. In 2022, Serge contributed \$826,376 to the plan.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2022

**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, 2022, the monthly rent was \$24,268.

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 \$264,409 in 2022.

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:

Year ending May 31,	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2023	\$ 276,666	\$ 4,384	\$ 281,050
2024	282,877	4,384	287,261
2025	289,088	4,126	293,214
2026	295,299	838	296,137
2027	300,945	-	300,945
Thereafter	<u>1,114,007</u>	<u>-</u>	<u>1,114,007</u>
	<u>\$ 2,558,882</u>	<u>\$ 13,732</u>	<u>\$ 2,572,614</u>