

SERGE GLOBAL, INC.
FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2023
(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, 2023, 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, 2023, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization implemented the provisions of FASB ASC 842, *Leases*, for the year ended May 31, 2023, which represents changes in accounting principles. Our opinion is not modified with respect to the matter.

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

We have previously audited Serge Global Inc's 2022 financial statements and expressed an unmodified opinion on those audited financial statements in our report dated September 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bee, Bergvall & Co.

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

Warrington, PA
August 24, 2023

SERGE GLOBAL, INC.

Statements of Financial Position

May 31, 2023 and 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,648,361	\$ 2,833,510
Accounts Receivable	14,626	50,929
Prepaid Expenses	263,783	118,393
Pledges Receivable	51,000	43,000
Advances to Missionaries	81,195	80,556
Investments	9,279,601	9,941,928
Security Deposits	161,298	141,071
Other Assets	422,686	380,686
Property and Equipment - Net of Accumulated Depreciation	140,695	168,352
Right to Use Asset - Net of Accumulated Amortization	1,409,423	-
	<hr/>	<hr/>
Total Assets	\$ 14,472,668	\$ 13,758,425

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 593,034	\$ 357,974
Deferred Revenue	48,654	202,094
Operating Lease Liability	1,702,230	-
	<hr/>	<hr/>
Total Liabilities	2,343,918	560,068
Without Donor Restrictions		
Board Designated for Missionaries and Projects	10,902,671	10,733,574
Undesignated	973,028	2,170,236
	<hr/>	<hr/>
Total Without Donor Restrictions	11,875,699	12,903,810
With Donor Restrictions	253,051	294,547
	<hr/>	<hr/>
Total Net Assets	12,128,750	13,198,357
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 14,472,668	\$ 13,758,425

See accompanying notes to the financial statements

SERGE GLOBAL, INC.

Statements of Activities

For the Year Ended May 31, 2023

(With Summarized Comparative Totals for the Year Ended May 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Totals</u>	<u>2022 Totals</u>
Support and Revenue				
Contributions and Grants	\$ 25,671,785	\$ 532,214	\$ 26,203,999	\$ 24,731,677
Discipling Tuition	130,473	-	130,473	140,420
Investment Income (loss)	(191,529)	-	(191,529)	(366,063)
Other Income	<u>168,525</u>	<u>-</u>	<u>168,525</u>	<u>184,241</u>
Total Support and Revenue	25,779,254	532,214	26,311,468	24,690,275
Net Assets Released from Program Restrictions	<u>573,710</u>	<u>(573,710)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, and Reclassifications	<u>26,352,964</u>	<u>(41,496)</u>	<u>26,311,468</u>	<u>24,690,275</u>
Expenses				
Field Operations	22,633,074	-	22,633,074	21,255,018
Home Office	3,861,906	-	3,861,906	3,216,260
Fundraising	<u>728,776</u>	<u>-</u>	<u>728,776</u>	<u>843,276</u>
Total Expenses	<u>27,223,756</u>	<u>-</u>	<u>27,223,756</u>	<u>25,314,554</u>
Increase (Decrease) in Net Assets	(870,792)	(41,496)	(912,288)	(624,279)
Net Assets, Beginning of Year, as reported	12,903,810	294,547	13,198,357	13,822,636
Implementation of ASU 842	<u>(157,319)</u>	<u>-</u>	<u>(157,319)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 11,875,699</u>	<u>\$ 253,051</u>	<u>\$ 12,128,750</u>	<u>\$ 13,198,357</u>

See accompanying notes to the financial statements

SERGE GLOBAL, INC.

Statements of Functional Expense

For the Year Ended May 31, 2023

(With Summarized Comparative Totals for the Year Ended May 31, 2022)

	<u>Field</u> <u>Operations</u>	<u>Home</u> <u>Office</u>	<u>Fundraising</u>	<u>2023</u> <u>Totals</u>	<u>2022</u> <u>Totals</u>
Books & Other Literature	\$ 32,616	\$ 3,112	\$ 579	\$ 36,307	\$ 27,974
Business Meals	207,799	59,079	7,580	274,458	197,746
Computer Hardware & Software	61,851	16,470	4,386	82,707	103,851
Cost of Goods Sold	-	-	-	-	-
Depreciation	42,940	-	-	42,940	56,623
Diaconal Needs	97,034	-	-	97,034	122,622
Dues & Subscriptions	19,998	71,390	730	92,118	77,746
Education & Schooling	427,760	9,278	-	437,038	445,191
Foreign National Wages	115,911	-	-	115,911	84,169
Grants to Foreign Organizations	2,491,610	-	-	2,491,610	1,604,197
Insurance	62,291	173,535	-	235,826	200,573
Maintenance & Repairs	183,972	130,912	3,090	317,974	224,001
Medical Expenses & Supplies	150,369	181	-	150,550	93,149
Merchant Discounts	154,028	-	-	154,028	137,982
Ministry Account	12,058	-	-	12,058	21,916
Other	290,282	85,343	12,486	388,111	201,459
Outside Services	3,187,839	179,812	18,116	3,385,767	2,970,223
Outreach	19,087	-	-	19,087	23,755
Postage	17,525	19,037	12,341	48,903	48,701
Printing	31,115	19,576	18,287	68,978	59,414
Professional Services	335,190	39,964	20,963	396,117	221,480
Project Expenses	211,589	-	-	211,589	788,936
Promotions	19,504	6,854	696	27,054	5,633
Rent	52,497	318,358	975	371,830	337,284
Retreats & Conferences	223,285	32,940	759	256,984	143,281
Service Charges	11,783	18,416	-	30,199	29,097
Set Up Costs	132,087	-	-	132,087	104,410
Shipping & Freight	122,191	1,043	-	123,234	99,239
Sponsoring Conference & Education	100,154	-	-	100,154	699,965
Supplies & Cleaning	60,435	12,881	1,241	74,557	84,234
Travel	1,660,960	184,467	53,735	1,899,162	1,922,261
Utilities	16,458	9,388	3,038	28,884	46,783
Vehicle Expenses	39,513	-	-	39,513	5,457
Wages Payroll Taxes & Benefits	12,041,343	2,469,870	569,774	15,080,987	14,125,202
Total Expenses	<u>\$ 22,633,074</u>	<u>\$ 3,861,906</u>	<u>\$ 728,776</u>	<u>\$ 27,223,756</u>	<u>\$ 25,314,554</u>

See accompanying notes to the financial statements

SERGE GLOBAL, INC.

Statements of Cash Flows

For the Year Ended May 31, 2023

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ (912,288)	\$ (624,279)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Contributed Investments	(238,985)	(284,380)
Unrealized and Realized (Gain) Loss on Sale of Investments	424,643	679,567
Non cash lease expense	21,489	-
Depreciation	42,940	56,623
(Increase) Decrease in Assets:		
Accounts Receivable	36,303	11,991
Prepaid Expenses	(145,390)	214,420
Pledges Receivable	(8,000)	(33,000)
Advances to Missionaries	(639)	(15,855)
Security Deposits	(20,227)	12,166
Other Assets	(42,000)	(100,000)
Increase (Decrease) in Liabilities:		
Accounts Payable	235,060	(93,457)
Deferred Revenue	(39,441)	(10,715)
Net Cash Provided by (Used in) Operating Activities	<u>(646,535)</u>	<u>(186,919)</u>
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	834,737	4,660,531
Purchase of Investments	(358,068)	(6,391,608)
Purchase of Property and Equipment	(15,283)	(29,166)
Net Cash Provided by (Used in) Investing Activities	<u>461,386</u>	<u>(1,760,243)</u>
Net Increase (Decrease) in Cash	(185,149)	(1,947,162)
Cash and Cash Equivalents, Beginning of Year	<u>2,833,510</u>	<u>4,780,672</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,648,361</u>	<u>\$ 2,833,510</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Leased assets obtained in exchange for operating lease liability	<u>\$ 2,140,896</u>	<u>\$ -</u>

See accompanying notes to the financial statements

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

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 2019.

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

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

NOTE 1. Summary of Significant Accounting Policies (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 two classes of net assets: net assets without donor restrictions and donor-restricted net assets.

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, 2022, 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, 2023 by \$2,288,377.

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, 2023, management considers all accounts receivable to be entirely collectible.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

NOTE 1. Summary of Significant Accounting Policies (Continued)

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 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.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

NOTE 1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

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.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

Adoption of Accounting Standard- Lease: The Organization adopted ASU No. 2016-02 ASU No. 2016-02 (Topic 842), *Leases* during the current year. This standard substantially changes current principles of lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. ASU 2016-02 establishes a right-of-use ("ROU") model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current generally accepted accounting principles, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. All of the Organization's leases are operating leases.

ASU 2016-02 requires adoption using a modified retrospective transition method as of the first date reflected on the financial statements. ASU 2016-02 was amended by ASU 2018-11 *Leases (Topic 842): Targeted Improvements* which permits entities to use the effective date of the new lease accounting standard as the date of initial application; thus, the financial statements for the year ended May 31, 2022 do not reflect effects of the standard.

The Organization recorded an Operating Right of Use intangible asset of \$1,623,512 and corresponding Lease Liability of \$1,894,831 as of June 1, 2022 related to its operating lease of the office space. Thereafter, the lease liability is stated at the present value of the unpaid lease payments. The right of use asset is stated at the initial lease liability less amortization on the asset. Opening net assets were adjusted by \$157,319.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

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 and Cash Equivalents	\$ 2,648,361
Accounts Receivable	14,626
Investments	<u>9,279,601</u>
	11,942,588
Less Amounts Subject to Donor Restrictions	<u>(253,051)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 11,689,537</u>

NOTE 3. Cash and Cash Equivalents

Cash and cash equivalents are summarized below as of May 31, 2023:

Checking and Sweep accounts	\$ 2,633,921
Money Market	<u>14,440</u>
	<u>\$ 2,648,361</u>

At May 31, 2023, \$253,051 was restricted for various purposes dependent upon the donor's intent. At May 31, 2021, that amount was \$294,547.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

NOTE 4. Investments

Investments are summarized below as of May 31, 2023:

Cash and Cash Equivalents	\$	333,402
Mutual Funds - Fixed Income		3,925,646
Mutual Funds - Domestic Equities		1,562,085
Mutual Funds - International Equities		695,723
Exchange Traded Funds		2,759,375
Common Stock		3,370
		<u>\$ 9,279,601</u>

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

Investment Income	\$	295,500
Net Unrealized and Realized Gains (Losses)		(424,643)
Fees		(62,386)
		<u>\$ (191,529)</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, 2023:

North America	\$	20,000
Europe		110,556
Africa		16,610
Asia		5,445
South & Central America		8,687
		<u>\$ 161,298</u>

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

NOTE 6. Property and Equipment

Property and equipment is composed of the following at May 31, 2023:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	\$ 141,180	\$ 35,529	\$ 121,273	\$ 19,907
Vehicles	188,237	1,800	188,237	-
Leasehold Improvements	182,595	18,260	67,038	115,557
Land and Buildings	242,858	1,034	237,627	5,231
	<u>\$ 754,870</u>	<u>\$ 56,623</u>	<u>\$ 614,175</u>	<u>\$ 140,695</u>

NOTE 7. Net Assets

Net assets with restrictions are available for the following purposes:

Donor Restricted for Field Operations:

BundiMedical Fund	\$ 10,521
BundiWater Fund	97,256
Bundibugyo (Christ) School	47,916
Dr. Jonah Memorial Leadership Fund	269
Uganda Relief Project	22,369
Kule Family Care Fund	5,803
Kenya Mercy (Famine Relief) Fund	2,889
Ireland Church Planters	7,703
Eye Love Africa	29,316
Europe Refugees	29,009
	<u>\$ 253,051</u>

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

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 2023 was as follows:

Released from Donor Restriction for Field Operations:

BundiMedical Fund	\$ 15,854
BundiWater Fund	14,476
Bundibugyo (Christ) School	254,770
Dr. Jonah Memorial Leadership Fund	7,588
Uganda Relief Project	599
Kule Family Care Fund	5,130
Kenya Mercy (Famine Relief) Fund	102
Ireland Church Planters	21,120
Eye Love Africa	185,644
Europe Refugees	68,427
	<u>\$ 573,710</u>

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

Board Designated

Support Raising	\$ 8,382,396
Projects-Field	933,359
Projects-Reserved Capital	1,560,221
Property Plant and Equipment	26,695
	<u>\$ 10,902,671</u>

NOTE 8. 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.

SERGE GLOBAL, INC.

Notes to Financial Statements

May 31, 2023

NOTE 8. Fair Value of Financial Instruments (Continued)

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.

The organization measures its investments on a recurring basis at fair value. Investments were measured using the following inputs as of May 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 333,402	\$ -	\$ -	\$ 333,402
Mutual Funds - Fixed Income	-	3,925,646	-	3,925,646
Mutual Funds - Domestic Equities	1,562,085	-	-	1,562,085
Mutual Funds - International Equities	695,723	-	-	695,723
Exchange Traded Funds	2,759,375	-	-	2,759,375
Common Stock	3,370	-	-	3,370
	<u>\$ 5,353,955</u>	<u>\$ 3,925,646</u>	<u>\$ -</u>	<u>\$ 9,279,601</u>

SERGE GLOBAL, INC.

Notes to Financial Statements

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NOTE 8. Fair Value of Financial Instruments (Continued)

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, 2023 due to the short-term nature of those instruments.

NOTE 9. Pension Plan

Serge maintains a defined contribution plan which covers substantially all employees, as defined in the plan. In 2023, Serge contributed \$890,680 to the plan.

NOTE 10. Revenue from Contracts with Customers

The change in the Organization’s deferred revenue account for the year ended May 31, 2023 is comprised of the following:

Deferred Revenue, beginning of the year	\$ 202,094
Revenue recognized that was included at beginning of the year	(70,094)
Increase due in deferred revenue due to cash received during the year	48,654
Implementation of ASU 842	<u>(132,000)</u>
Deferred Revenue, end of the year	<u>\$ 48,654</u>

SERGE GLOBAL, INC.

Notes to Financial Statements

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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, 2023, the monthly rent was \$25,973.

Lease assets are recognized at commencement date based on the value of the lease liability. Lease liabilities represent our contractual obligation to make lease payments. At the commencement date, the lease liabilities equal the present value of minimum lease payments over the lease term. As the implicit rate is not readily determinable in the leases, the Organization uses a risk-free rate (U.S Treasury) calculate the present value of these lease payments. Leases with a term of 12 months or less are excluded from the liability; the Organization recognizes lease expense for these short-term leases on a straight-line basis over the lease term.

Future minimum operating lease payments are as follows:

Year ending May 31,	
2024	\$ 208,825
2025	225,880
2026	243,807
2027	262,651
2028	282,460
Thereafter	478,607
	<u>\$ 1,702,230</u>

The Right to Use Asset as of May 31, 2023 is as follows:

Right to Use Asset	\$ 2,140,895
Accumulated amortization	<u>(731,472)</u>
	<u>\$ 1,409,423</u>