



TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

May 31, 2019 and 2018

TMS GLOBAL, INC. AND SUBSIDIARIES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expenses–2019	6
Consolidated Statement of Functional Expenses–2018	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10

INDEPENDENT AUDITORS' REPORT

Board of Directors
TMS Global, Inc. and Subsidiaries
Norcross, Georgia

We have audited the accompanying consolidated financial statements of TMS Global, Inc. (a nonprofit corporation) and Subsidiaries which comprise the consolidated statements of financial position as of May 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
TMS Global, Inc. and Subsidiaries
Norcross, Georgia

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TMS Global, Inc. and Subsidiaries as of May 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, TMS Global, Inc. and Subsidiaries has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the May 31, 2019 and 2018 consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Lawrenceville, Georgia
October 18, 2019

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	May 31,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 501,927	\$ 10,611
Contributions receivable–net	628,148	1,471,423
Other assets	226,705	208,018
Investments	3,616,480	3,505,693
Trust assets	98,746	97,575
Property and equipment–net	546,792	582,191
Long-term investments	487,929	473,849
Beneficial interest in perpetual trust	1,946,229	2,033,809
	<u>\$ 8,052,956</u>	<u>\$ 8,383,169</u>
Total Assets	\$ 8,052,956	\$ 8,383,169
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 40,738	\$ 71,051
Bank line of credit	-	375,000
Annuities payable	81,028	84,652
Trust liabilities	38,387	40,139
	<u>160,153</u>	<u>570,842</u>
	<u>160,153</u>	<u>570,842</u>
Net assets:		
Without donor restrictions	1,128,895	670,796
With donor restrictions:		
Restricted for purpose or time	4,409,587	4,695,489
Restricted in perpetuity	2,354,321	2,446,042
	<u>7,892,803</u>	<u>7,812,327</u>
	<u>7,892,803</u>	<u>7,812,327</u>
Total Liabilities and Net Assets	\$ 8,052,956	\$ 8,383,169

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

	Year Ended May 31,							
	2019				2018			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
	For Purpose Or Time	In Perpetuity			For Purpose Or Time	In Perpetuity		
SUPPORT AND REVENUE:								
Support:								
Contributions	\$ 2,588,542	\$ 7,207,969	\$ -	\$ 9,796,511	\$ 775,513	\$ 7,820,698	\$ -	\$ 8,596,211
Gift-in-kind contributions	666,353	47,656	-	714,009	186,983	-	-	186,983
	3,254,895	7,255,625	-	10,510,520	962,496	7,820,698	-	8,783,194
Revenue:								
Fee income	58,805	-	-	58,805	53,983	-	-	53,983
Investment income	136,202	14,080	-	150,282	256,307	-	9,446	265,753
Change in value of annuities and trusts	3,624	482	(87,580)	(83,474)	17,522	(11,872)	37,367	43,017
Other income	34,905	-	-	34,905	28,288	-	-	28,288
	233,536	14,562	(87,580)	160,518	356,100	(11,872)	46,813	391,041
Total Support and Revenue	3,488,431	7,270,187	(87,580)	10,671,038	1,318,596	7,808,826	46,813	9,174,235
RECLASSIFICATIONS:								
Net assets released from restriction:								
Satisfaction of purpose restrictions	6,676,851	(6,676,851)	-	-	7,012,932	(7,012,932)	-	-
Reclassified with donor permission	-	4,141	(4,141)	-	-	61,616	(61,616)	-
Administrative assessments	883,379	(883,379)	-	-	945,616	(945,616)	-	-
Total Reclassifications	7,560,230	(7,556,089)	(4,141)	-	7,958,548	(7,896,932)	(61,616)	-

(continued)

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities (continued)

	Year Ended May 31,							
	2019				2018			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
	For Purpose Or Time	In Perpetuity			For Purpose Or Time	In Perpetuity		
EXPENSES:								
Program services:								
Field cross-cultural workers and projects	6,726,232	-	-	6,726,232	6,220,181	-	-	6,220,181
U.S. based ministries	1,495,717	-	-	1,495,717	1,611,762	-	-	1,611,762
Church resources ministry	288,477	-	-	288,477	350,258	-	-	350,258
	8,510,426	-	-	8,510,426	8,182,201	-	-	8,182,201
Supporting activities:								
Management and general	1,399,193	-	-	1,399,193	1,079,367	-	-	1,079,367
Fundraising	680,943	-	-	680,943	556,879	-	-	556,879
	2,080,136	-	-	2,080,136	1,636,246	-	-	1,636,246
Total Expenses	10,590,562	-	-	10,590,562	9,818,447	-	-	9,818,447
Change in Net Assets	458,099	(285,902)	(91,721)	80,476	(541,303)	(88,106)	(14,803)	(644,212)
Net Assets, Beginning of Year	670,796	4,695,489	2,446,042	7,812,327	1,212,099	4,783,595	2,460,845	8,456,539
Net Assets, End of Year	\$ 1,128,895	\$ 4,409,587	\$ 2,354,321	\$ 7,892,803	\$ 670,796	\$ 4,695,489	\$ 2,446,042	\$ 7,812,327

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended May 31, 2019

	Program Services			Supporting Activities				
	Field Cross-cultural Workers & Projects	U.S. Based Ministries	Church Resources Ministry	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Salaries—full time	\$ 3,464,333	\$ 822,166	\$ 172,926	\$ 4,459,425	\$ 408,038	\$ 251,349	\$ 659,387	\$ 5,118,812
Salaries—temporary	104,533	31,422	16,016	151,971	30,317	28,326	58,643	210,614
Employee benefits	797,629	181,644	30,621	1,009,894	117,526	57,968	175,494	1,185,388
Travel & conferences	527,441	202,118	20,654	750,213	39,341	226,851	266,192	1,016,405
Vehicles	224,319	8,616	4,995	237,930	8,167	6,661	14,828	252,758
Communications	95,871	23,469	10,236	129,576	37,351	41,120	78,471	208,047
Promotional, dues, & copies	9,477	8,839	2,642	20,958	14,675	2,931	17,606	38,564
Housing & occupancy	34,008	14,054	3,106	51,168	10,303	2,898	13,201	64,369
Repairs & maintenance	121,459	15,592	3,798	140,849	68,126	4,947	73,073	213,922
Depreciation	-	34,616	8,462	43,078	26,924	6,923	33,847	76,925
Project & direct support	973,214	49,527	2,637	1,025,378	18,996	22,751	41,747	1,067,125
Supplies	33,360	6,241	1,349	40,950	6,267	1,995	8,262	49,212
Consulting & professional services	8,865	58,861	3,950	71,676	309,708	17,277	326,985	398,661
Other expenses	331,723	34,924	6,198	372,845	34,210	8,220	42,430	415,275
Interest	-	3,628	887	4,515	2,822	726	3,548	8,063
Provision for doubtful pledges	-	-	-	-	266,422	-	266,422	266,422
Total Expenses	\$ 6,726,232	\$ 1,495,717	\$ 288,477	\$ 8,510,426	\$ 1,399,193	\$ 680,943	\$ 2,080,136	\$10,590,562

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended May 31, 2018

	Program Services			Supporting Activities				
	Field Cross-cultural Workers & Projects	U.S. Based Ministries	Church Resources Ministry	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Salaries—full time	\$ 3,074,424	\$ 870,894	\$ 226,813	\$ 4,172,131	\$ 364,376	\$ 205,887	\$ 570,263	\$ 4,742,394
Salaries—temporary	145,736	53,521	-	199,257	43,798	13,105	56,903	256,160
Employee benefits	778,326	164,816	38,401	981,543	110,051	33,177	143,228	1,124,771
Travel & conferences	594,829	220,141	28,436	843,406	48,757	117,104	165,861	1,009,267
Vehicles	167,734	10,165	5,483	183,382	6,231	2,958	9,189	192,571
Communications	86,205	31,143	13,040	130,388	29,666	54,824	84,490	214,878
Promotional, dues, & copies	3,958	12,569	2,864	19,391	16,275	2,979	19,254	38,645
Housing & occupancy	194,269	14,893	3,115	212,277	23,502	2,549	26,051	238,328
Repairs & maintenance	133,735	13,110	2,585	149,430	31,254	2,320	33,574	183,004
Depreciation	-	38,988	9,530	48,518	30,323	7,798	38,121	86,639
Project & direct support	832,104	64,322	4,733	901,159	47,759	30,737	78,496	979,655
Supplies	461	10,327	2,177	12,965	21,599	14,076	35,675	48,640
Consulting & professional services	23,094	81,826	4,924	109,844	200,042	61,040	261,082	370,926
Other expenses	185,306	18,902	6,655	210,863	49,251	7,096	56,347	267,210
Interest	-	6,145	1,502	7,647	4,779	1,229	6,008	13,655
Provision for doubtful pledges	-	-	-	-	51,704	-	51,704	51,704
Total Expenses	\$ 6,220,181	\$ 1,611,762	\$ 350,258	\$ 8,182,201	\$ 1,079,367	\$ 556,879	\$ 1,636,246	\$ 9,818,447

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 80,476	\$ (644,212)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	76,925	86,639
Realized/unrealized (gains) losses on investments–net	1,543	(171,985)
Payments on annuities	13,881	16,531
Trust distributions	(2,441)	(2,441)
Change in value of beneficial interest	87,580	(37,367)
Actuarial change in charitable gift annuities	(3,624)	(17,522)
Actuarial change in trusts	(482)	11,872
Changes in operating assets and liabilities:		
Contributions receivable–net	843,275	78,834
Other assets	(18,687)	(50,906)
Accounts payable and accrued expenses	(30,313)	(21,509)
Net Cash Provided (Used) by Operating Activities	1,048,133	(752,066)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	373,590	366,701
Purchases of investments	(500,000)	(197,110)
Purchases of property and equipment	(41,526)	(34,038)
Net Cash Provided (Used) by Investing Activities	(167,936)	135,553
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on line of credit	-	375,000
Payments on line of credit	(375,000)	-
Payments on annuities	(13,881)	(16,531)
Net Cash Provided (Used) by Financing Activities	(388,881)	358,469

(continued)

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	<u>2019</u>	<u>2018</u>
Net Change in Cash and Cash Equivalents	491,316	(258,044)
Cash and Cash Equivalents, Beginning of Year	<u>10,611</u>	<u>268,655</u>
Cash and Cash Equivalents, End of Year	<u>\$ 501,927</u>	<u>\$ 10,611</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 8,064</u>	<u>\$ 14,176</u>
NONCASH OPERATING ACTIVITIES		
Noncash contributions of securities	<u>\$ 714,009</u>	<u>\$ 186,983</u>

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

1. NATURE OF ORGANIZATION:

TMS Global, Inc. and Subsidiaries (Organization) is the consolidated financial reporting entity for TMS Global, Inc. (TMS Global) and its subsidiaries, Mission Society Foundation, Inc. (Foundation), Mission Society Humanitarian Endeavors, Inc. (Humanitarian Endeavors), and Friendship Corporation (Friendship Corporation).

TMS Global, Inc., headquartered in Norcross, Georgia, is a Georgia not-for-profit corporation formed on January 6, 1984. TMS Global and its consolidated subsidiaries are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code), and contributions to it are tax deductible within the limitations prescribed by the Code. TMS Global and its consolidated subsidiaries are not private foundations under Section 509(a)(1) of the Code.

The Foundation was formed in 1995 to establish flexible giving opportunities. The Foundation is a separately incorporated organization whose board is appointed by the TMS Global board.

Humanitarian Endeavors was formed in 1995 to facilitate humanitarian aid activities. Humanitarian Endeavors is a separately incorporated organization whose board is appointed by the TMS Global board.

Friendship Corporation, established in 1993 as a Georgia not-for-profit corporation, is intended to provide medical and educational services within the former Soviet Union. The board of the Friendship Corporation is elected by the TMS Global board.

The Organization is a voluntary mission agency for laity, clergy, and congregations, who hold evangelical, historical, Wesleyan beliefs. Its purpose is to carry out the Great Commission of our Lord Jesus Christ to go into all the world and preach the good news to all, making disciples, and teaching them to obey the Great Commandment and the Great Commission. This purpose is accomplished through providing personnel and funds to evangelize unreached and under-reached peoples of the world and establishing new congregations among them. Approximately 230 cross-cultural workers presently serve in approximately 30 countries on 5 continents in a wide array of ministries. Several additional countries are reached through cross-cultural workers serving under cooperative agreements with partner agencies.

The Organization is a faith mission and its cross-cultural workers depend totally upon voluntary gifts of individuals, businesses, churches, foundations, and other charities.

As an expression of its accountability and financial stewardship, the Organization is a member of the Evangelical Council for Financial Accountability and MissioNexus.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

1. NATURE OF ORGANIZATION, continued:

In furtherance of its exempt purposes, the Organization expends a large portion of its resources on church growth and evangelism programs. Using models as varied as cell groups, Bible schools, seminaries, and theological education and training, the Organization equips national believers to provide their churches with competent, Spirit empowered leadership. In addition, Bible schools and seminaries have been established to educate pastors and lay leaders on how to interpret and teach the scriptures, and to minister to the needs in interpreting and teaching Scriptures, and ministering to the needs of the national church. The Organization also provides educational, medical, vocational, social, and other humanitarian services.

In the United States, the Organization provides local churches with seminars and mentoring to encourage and empower the U.S. congregations to take up the Great Commission in all geographies throughout the world. This is carried out through the Church Resources Ministry Division.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of TMS Global, the Foundation, Humanitarian Endeavors, and Friendship Corporation (collectively referred to as the Organization). All significant inter-company balances and transactions have been eliminated.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, checking, savings, and highly liquid investments with maturity dates of less than three months. These accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. At May 31, 2019 and 2018, the Organization's cash balances exceeded federally insured limits by \$251,927 and \$1,068, respectively.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE—NET

Contributions receivable include unconditional promises made by donors wherein the donor has unconditionally promised to contribute funds to the Organization in future periods for support of the Organization. Unconditional promises are expected to be collected within one year and are recorded as support and a receivable at net realizable value. Unconditional promises are evaluated on a quarterly basis and an allowance for uncollectible contributions has been established. The allowance for uncollectible contributions at May 31, 2019 and 2018, was \$116,711 and \$54,303, respectively.

OTHER ASSETS

Other assets consist of advances to cross-cultural workers on the field, prepaid insurance and rent and advances to cross-cultural workers that are due upon completion of term services. At May 31, 2019 and 2018, management has determined that no allowance for uncollectible accounts is deemed necessary.

INVESTMENTS AND LONG-TERM INVESTMENTS

Investments in marketable securities with readily determinable fair values and all debt securities are recorded at fair value based on the last reported sales price on the valuation date. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as investment income (loss) without donor restrictions in the accompanying consolidated statements of activities unless a donor or law restricts its use. Investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is adequately diversified among many issuers.

TRUST ASSETS, LIABILITIES, AND NET ASSETS

In 2001, the Organization received and was appointed the trustee of a charitable lead trust. The charitable term of the lead trust was 15 years and ended May 28, 2016. The terms of the trust awarded distributions of 5% of the fair value as of the end of the trust calendar year to the recipient, TMS Global. Upon completion of the charitable lead trust, remaining trust assets were distributed to a specific Charitable Remainder Trust. The trustee of the new remainder trust is also TMS Global. Distributions from the remainder trust are paid to a designated recipient over the course of her life. Upon her death, the remainder of the trust assets will pass to TMS Global. The estimated present value of future distributions to TMS Global has been recognized and reported as trust assets as part of net assets with donor restrictions for purpose or time.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT—NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. Leasehold improvements are carried at cost less accumulated amortization. Depreciation and amortization is provided over the estimated service lives of the assets, ranging from 3 to 40 years, using the straight-line method. The capitalization policy is to capitalize all fixed assets greater than \$2,500, with the exception of vehicles for international cross-cultural worker use purchased from cross-cultural worker support accounts. They are expensed when purchased. When sold, proceeds are returned to cross-cultural worker support accounts. Additionally, all computer equipment, regardless of cost, is capitalized at management's discretion.

BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization received a beneficial interest in a perpetual trust. The trust assets consist of cash and cash equivalents and marketable securities. The trust assets are carried at fair value as of the date of the consolidated financial statements. When possible, the fair value of investments held as trustee or agent are determined by reference to quoted market prices. When quoted market prices are not available, fair value is estimated by reference to market values of similar securities or by discounting cash flows at an appropriate risk rate, taking into consideration the varying degrees of risk specific to each financial asset.

CHARITABLE GIFT ANNUITIES

The Organization has several charitable gift annuities. Under these agreements, the donor makes an initial gift of cash or other assets. An annuity payment liability is measured based on the present value of estimated future payments to the named beneficiary using discount rates and actuarial assumptions which consider the donor's life expectancy and the rates typically earned on those investments. The difference between the fair value of the asset received and the annuity payment liability is recognized as contribution revenue. The asset is adjusted annually to fair value and the liability is adjusted for payments to the life income beneficiary. The discount is amortized over the life of the agreement with the remainder reclassified from net assets with donor restrictions to net assets without donor restrictions when the agreement terminates. The discount rates for these annuities approximates 3% for both years ended May 31, 2019 and 2018.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The consolidated financial statements report amounts separately by class of net assets:

Net assets without donor restrictions are currently available for purposes under the direction of the board, designated by the board for specific use, or resources invested in property and equipment, net of accumulated depreciation and amortization.

Net assets with donor restrictions for purpose or time are contributed with donor preferences for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

Net assets with donor restrictions in perpetuity are contributed with donor stipulations that the principal remain in perpetuity and only the income be available as revenue without donor restrictions or with donor restrictions.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to the Organization.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. Gifts are reported as support without donor restrictions if they are spent in the same fiscal year. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as reclassifications.

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include depreciation, facilities operations and other expenses and are allocated by an analysis of square footage. Expenses related to salaries and benefits and cross-cultural workers are allocated by an analysis of time and effort.

RECENTLY ISSUED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended May 31, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 3), and disclosures related to functional allocation of expenses were expanded (see Note 2).

ALLOCATION OF JOINT COSTS

The Organization incurred joint costs that include fundraising appeals or activities:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Year Ended May 31, 2019:				
Cost of informational materials and activities	\$ 110,182	\$ 87,051	\$ 21,915	\$ 219,148
Salaries and expenses of cross-cultural workers and program staff	3,261,883	46,880	39,773	3,348,536
Home office expenses	410,333	289,434	51,814	751,581
	<u>\$ 3,782,398</u>	<u>\$ 423,365</u>	<u>\$ 113,502</u>	<u>\$ 4,319,265</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF JOINT COSTS, continued:

	Program	General and Administrative	Fundraising	Total
Year Ended May 31, 2018:				
Cost of informational materials and activities	\$ 117,621	\$ 85,938	\$ 44,329	\$ 247,888
Salaries and expenses of cross-cultural workers and program staff	2,929,104	135,245	114,742	3,179,091
Home office expenses	486,227	340,719	62,361	889,307
	\$ 3,532,952	\$ 561,902	\$ 221,432	\$ 4,316,286

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of May 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities to achieve its mission and vision as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets:	
Cash and cash equivalents	\$ 501,927
Contributions receivable–net	628,148
Accounts and notes receivable	219,640
Investments	3,616,480
Trust assets	98,746
Long-term investments	487,929
Beneficial interest in perpetual trust	1,946,229
Financial assets, at year-end	7,499,099
Less those unavailable for general expenditures within one year:	
Investments held for trust	(98,746)
Investments held for perpetual endowment	(487,929)
Beneficial interest in perpetual trust	(1,946,229)
	(2,532,904)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,966,195

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

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. The Organization has \$4,269,391 in net assets with donor restrictions for various purposes including project support. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes.

In addition to the financial assets noted above, the Organization has an available \$750,000 revolving working capital line of credit with a certain financial institution, subject to renewal in October 2020, and bearing interest at the financial institution's prime rate plus 25 basis points (5.75% at May 31, 2019). Borrowings under this line of credit are collateralized by a UCC filing against certain assets owned by the Organization. Outstanding borrowings as of May 31, 2019 and 2018, totaled \$0 and \$375,000, respectively.

4. INVESTMENTS:

Investments, at fair value, consist of:

	May 31,	
	2019	2018
Money market funds	\$ 376,752	\$ 354,705
Mutual funds	3,239,728	3,150,988
	<u>\$ 3,616,480</u>	<u>\$ 3,505,693</u>

Long-term investments, at fair value, consist of:

	May 31,	
	2019	2018
Money market funds	\$ 36,230	\$ 35,046
Mutual funds	451,699	438,803
	<u>\$ 487,929</u>	<u>\$ 473,849</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

5. TRUST ASSETS, LIABILITIES, AND NET ASSETS:

	May 31,	
	2019	2018
Trust assets:		
Cash	\$ 5,482	\$ 3,823
Common stock, at fair value	93,264	93,752
	\$ 98,746	\$ 97,575
Trust liabilities and net assets:		
Trust liabilities:		
Charitable remainder trust	\$ 38,387	\$ 40,139
Trust net assets	60,359	57,436
	\$ 98,746	\$ 97,575

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	May 31,	
	2019	2018
Land	\$ 150,000	\$ 150,000
Land improvements	184,181	184,181
Building	438,577	438,577
Building improvements	390,111	390,111
Furniture and equipment	387,243	362,072
Computer equipment	625,298	608,943
	2,175,410	2,133,884
Less accumulated depreciation	(1,628,618)	(1,551,693)
	\$ 546,792	\$ 582,191

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

7. NET ASSETS:

Net assets consist of:

	May 31,	
	2019	2018
Without donor restrictions:		
Undesignated	\$ 580,633	\$ 86,604
State required annuity reserves	1,470	2,001
Property and equipment	546,792	582,191
	1,128,895	670,796
With donor restrictions, restricted by time or purpose:		
Projects:		
Cross-cultural workers	2,576,611	2,596,150
Projects	1,064,632	1,367,284
President's Gathering pledges	628,148	613,003
	4,269,391	4,576,437
Other:		
Beneficial interest in charitable remainder trust	60,359	57,436
Unexpended endowment earnings	79,837	61,616
	140,196	119,052
Total net assets with donor restrictions, restricted by time or purpose	4,409,587	4,695,489
With donor restrictions, restricted in perpetuity:		
Beneficial interest in perpetual trust	1,946,229	2,033,809
Donor-restricted endowment funds	408,092	412,233
	2,354,321	2,446,042
	\$ 7,892,803	\$ 7,812,327

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

8. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2019 and 2018, respectively.

	May 31, 2019			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 376,752	\$ 376,752	\$ -	\$ -
Mutual funds:				
Global stock funds	1,858,727	1,858,727	-	-
Bond funds	1,381,001	1,381,001	-	-
	<u>3,239,728</u>	<u>3,239,728</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	<u>\$ 3,616,480</u>	<u>\$ 3,616,480</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term investments:				
Money market funds	\$ 36,230	\$ 36,230	\$ -	\$ -
Mutual funds:				
Global stock funds	264,768	264,768	-	-
Bond funds	186,931	186,931	-	-
	<u>451,699</u>	<u>451,699</u>	<u>-</u>	<u>-</u>
Total long-term investments, at fair value	<u>\$ 487,929</u>	<u>\$ 487,929</u>	<u>\$ -</u>	<u>\$ -</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2019			
	Total	Level 1	Level 2	Level 3
Beneficial interest in perpetual trust, at fair value	\$ 1,946,229	\$ -	\$ -	\$ 1,946,229
Trust assets:				
Common stocks:				
Industrial goods	\$ 9,493	\$ 9,493	\$ -	\$ -
Technology	20,606	20,606	-	-
Financial	15,118	15,118	-	-
Healthcare	14,849	14,849	-	-
Basic materials	2,382	2,382	-	-
Services	8,697	8,697	-	-
Consumer goods	12,242	12,242	-	-
Utilities	9,877	9,877	-	-
Total trust assets, at fair value	\$ 93,264	\$ 93,264	\$ -	\$ -
	May 31, 2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 354,705	\$ 354,705	\$ -	\$ -
Mutual funds:				
Global stock funds	1,893,584	1,893,584	-	-
Bond funds	1,257,404	1,257,404	-	-
	3,150,988	3,150,988	-	-
Total investments, at fair value	\$ 3,505,693	\$ 3,505,693	\$ -	\$ -

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2018			
	Total	Level 1	Level 2	Level 3
Long-term investments:				
Money market funds	\$ 35,046	\$ 35,046	\$ -	\$ -
Mutual funds:				
U.S. stock funds	42,129	42,129	-	-
Global stock funds	263,887	263,887	-	-
Bond funds	132,787	132,787	-	-
	<u>438,803</u>	<u>438,803</u>	<u>-</u>	<u>-</u>
Total long-term investments, at fair value	<u>\$ 473,849</u>	<u>\$ 473,849</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust, at fair value	<u>\$ 2,033,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,033,809</u>
Trust assets:				
Common stocks:				
Industrial goods	\$ 4,609	\$ 4,609	\$ -	\$ -
Technology	19,748	19,748	-	-
Financial	14,070	14,070	-	-
Healthcare	9,670	9,670	-	-
Basic materials	5,206	5,206	-	-
Services	2,569	2,569	-	-
Consumer goods	17,031	17,031	-	-
Utilities	11,982	11,982	-	-
Entertainment	8,867	8,867	-	-
Total trust assets, at fair value	<u>\$ 93,752</u>	<u>\$ 93,752</u>	<u>\$ -</u>	<u>\$ -</u>

Methods and assumptions used by the Organization in estimating fair values are as follows:

Valuation techniques: The fair values of common stock, mutual funds, and money market funds are based on quoted market prices or dealer quotes. The fair value of the beneficial interest in perpetual trusts is based upon the related assets, including mutual funds, corporate bonds, and marketable securities.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

8. FAIR VALUE MEASUREMENTS, continued:

The following tables provide further details of the Level 3 fair value measurements for beneficial interest in perpetual trust:

	May 31,	
	2019	2018
Beginning balance:	\$ 2,033,809	\$ 1,996,442
Contributions of beneficial interests	-	-
Distributions of beneficial interests	-	-
Change in value of beneficial interest in perpetual trust	(87,580)	37,367
Ending balance	<u>\$ 1,946,229</u>	<u>\$ 2,033,809</u>

9. ENDOWMENTS:

The Organization's endowment consists of two donor-restricted endowment funds established under donor restricted endowment agreements dated December 22, 1994 and March 7, 2008.

The Organization has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (GUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for purpose or time until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by GUPMIFA. In accordance with GUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

9. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of May 31, 2019:

	Without donor restrictions	With donor restrictions			Total funds
		Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	
Donor-restricted endowment funds	\$ -	\$ 408,092	\$ 79,837	\$ 487,929	\$ 487,929

Changes in endowment net assets for the year ended May 31, 2019:

	Without donor restrictions	With donor restrictions			Total funds
		Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	
Endowment net assets, June 1, 2018	\$ -	\$ 412,233	\$ 61,616	\$ 473,849	\$ 473,849
Investment return, net	-	-	14,080	14,080	14,080
Transfers	-	(4,141)	4,141	-	-
Endowment net assets, May 31, 2019	\$ -	\$ 408,092	\$ 79,837	\$ 487,929	\$ 487,929

Endowment net asset composition by type of fund as of May 31, 2018:

	Without donor restrictions	With donor restrictions			Total funds
		Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	
Donor-restricted endowment funds	\$ -	\$ 412,233	\$ 61,616	\$ 473,849	\$ 473,849

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

9. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended May 31, 2018:

	Without donor restrictions	With donor restrictions			Total funds
		Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	
Endowment net assets, June 1, 2017	\$ -	\$ 464,403	\$ -	\$ 464,403	\$ 464,403
Investment return, net	-	9,446	-	9,446	9,446
Transfers	-	(61,616)	61,616	-	-
Endowment net assets, May 31, 2018	\$ -	\$ 412,233	\$ 61,616	\$ 473,849	\$ 473,849

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or GUPMIFA requires the Organization to retain as a fund of perpetual duration. No such deficiencies existed for the years ended May 31, 2019 or 2018.

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow the corpus above the inflation rate.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives are Related to Spending Policy:

The Organization's board considers the long-term expected return on its endowment. This is consistent with the board's objective and donor restrictions to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

10. EMPLOYEE BENEFIT PLANS:

Pension Plan:

Effective June 1, 2015 the Organization created a 403(b) Retirement Plan (the Plan) that is a defined contribution plan covering all employees of the Organization except ordained United Methodist clergy who have a pension account at the General Board of Pensions at the United Methodist Church. Employees that meet the requirements become eligible upon hire. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Employees may elect to make pre-tax or Roth contributions to the Plan through salary deferral. Until June 1, 2018, the Organization contributed 3% of employee compensation, in addition to a matching contribution of up to 3% of employee compensation. As of June 1, 2018, the Organization only makes a matching contribution of up to 6% of employee compensation. All contributions are in self-directed funds managed by third party investment advisors. Pension expense reported by the Organization for the years ended May 31, 2019 and 2018, was \$82,884 and \$95,259, respectively.

Employee Education Savings Plan:

All staff are allowed to contribute a portion of their salary (not limited) towards childhood education savings plans. Contributions by the Organization for the years ended May 31, 2019 and 2018, were \$10,904 and \$49,541, respectively.

11. LEASES:

The Organization leases office space and equipment under non-cancelable operating leases. Total rental expense under non-cancelable operating leases for the years ended May 31, 2019 and 2018, was \$94,053 and \$81,785, respectively.

Scheduled minimum payments under non-cancelable leases are as follows:

<u>Years Ending May 31,</u>	<u>Amounts</u>
2019	\$ 96,175
2020	86,701
2021	82,731
2022	79,605
2023	81,993
	<u>\$ 427,205</u>

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 18, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.