



TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

May 31, 2021 and 2020

TMS GLOBAL, INC. AND SUBSIDIARIES

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Capin Crouse LLP

Lawrenceville, Georgia
October 14, 2021

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	May 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 1,318,268	\$ 554,378
Contributions receivable–net	-	357,936
Other assets	256,114	130,713
Investments	5,260,484	4,478,172
Trust assets	137,071	103,539
Property and equipment–net	438,744	485,505
Long-term investments	591,708	497,001
Beneficial interest in perpetual trust	2,330,698	1,984,837
	\$ 10,333,087	\$ 8,592,081
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 45,005	\$ 32,361
Refundable advance	-	388,039
Annuities payable	45,162	47,540
Trust liabilities	36,803	36,671
Total liabilities	126,970	504,611
Net assets:		
Without donor restrictions	2,869,136	1,435,175
With donor restrictions:		
Restricted for purpose or time	4,605,743	4,263,259
Restricted in perpetuity	2,731,238	2,389,036
Total net assets	10,206,117	8,087,470
Total Liabilities and Net Assets	\$ 10,333,087	\$ 8,592,081

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

	Year Ended May 31,							
	2021				2020			
	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	\$ 2,249,159	\$ 7,281,439	\$ -	\$ 9,530,598	\$ 2,071,689	\$ 7,066,316	\$ -	\$ 9,138,005
Gift-in-kind contributions	84,735	69,759	-	154,494	341,851	81,847	-	423,698
	2,333,894	7,351,198	-	9,685,092	2,413,540	7,148,163	-	9,561,703
Revenue:								
Fee income	22,104	-	-	22,104	64,922	-	-	64,922
Investment income	1,075,689	94,707	-	1,170,396	331,507	9,072	-	340,579
Change in value of annuities and trusts	2,378	33,400	345,861	381,639	33,488	5,089	38,608	77,185
Other income	55,852	-	-	55,852	31,391	-	-	31,391
	1,156,023	128,107	345,861	1,629,991	461,308	14,161	38,608	514,077
Total Support and Revenue	3,489,917	7,479,305	345,861	11,315,083	2,874,848	7,162,324	38,608	10,075,780
RECLASSIFICATIONS:								
Net assets released from restriction:								
Satisfaction of purpose restrictions	6,192,445	(6,192,445)	-	-	6,410,585	(6,410,585)	-	-
Reclassified with donor permission	-	3,659	(3,659)	-	-	3,893	(3,893)	-
Administrative assessments	948,035	(948,035)	-	-	901,960	(901,960)	-	-
Total Reclassifications	7,140,480	(7,136,821)	(3,659)	-	7,312,545	(7,308,652)	(3,893)	-

(continued)

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities (continued)

	Year Ended May 31,							
	2021				2020			
	Without Donor Restrictions	With Donor Restrictions For Purpose Or Time	In Perpetuity	Total	Without Donor Restrictions	With Donor Restrictions For Purpose Or Time	In Perpetuity	Total
EXPENSES:								
Program services:								
Field cross-cultural workers and projects	6,028,096	-	-	6,028,096	6,290,447	-	-	6,290,447
U.S. based ministries	896,824	-	-	896,824	1,175,847	-	-	1,175,847
Church resources ministry	166,955	-	-	166,955	250,877	-	-	250,877
	7,091,875	-	-	7,091,875	7,717,171	-	-	7,717,171
Supporting activities:								
Management and general	1,659,563	-	-	1,659,563	1,614,971	-	-	1,614,971
Fundraising	444,998	-	-	444,998	548,971	-	-	548,971
	2,104,561	-	-	2,104,561	2,163,942	-	-	2,163,942
Total Expenses	9,196,436	-	-	9,196,436	9,881,113	-	-	9,881,113
Change in Net Assets	1,433,961	342,484	342,202	2,118,647	306,280	(146,328)	34,715	194,667
Net Assets, Beginning of Year	1,435,175	4,263,259	2,389,036	8,087,470	1,128,895	4,409,587	2,354,321	7,892,803
Net Assets, End of Year	\$ 2,869,136	\$ 4,605,743	\$ 2,731,238	\$10,206,117	\$ 1,435,175	\$ 4,263,259	\$ 2,389,036	\$ 8,087,470

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended May 31, 2021

	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	\$ 3,298,240	\$ 550,355	\$ 126,131	\$ 3,974,726	\$ 830,331	\$ 217,065	\$ 1,047,396	\$ 5,022,122
Salaries–temporary	117,504	56,787	1,584	175,875	19,724	5,412	25,136	201,011
Employee benefits	789,961	117,820	10,590	918,371	186,307	42,590	228,897	1,147,268
Travel & conferences	238,503	8,499	5,847	252,849	17,475	11,074	28,549	281,398
Vehicles	116,101	2,052	1,553	119,706	6,047	2,944	8,991	128,697
Communications	82,172	5,789	1,327	89,288	11,545	32,490	44,035	133,323
Promotional, dues, & copies	2,612	6,334	191	9,137	19,297	506	19,803	28,940
Housing & occupancy	23,690	10,057	2,458	36,205	29,001	2,207	31,208	67,413
Repairs & maintenance	105,774	29,337	6,384	141,495	149,181	8,831	158,012	299,507
Depreciation	-	22,820	5,578	28,398	17,749	4,564	22,313	50,711
Project & direct support	989,873	23,226	2,048	1,015,147	41,801	93,330	135,131	1,150,278
Supplies	73,967	1,895	336	76,198	2,180	926	3,106	79,304
Consulting & professional services	32,067	45,143	1,398	78,608	234,626	20,465	255,091	333,699
Other expenses	157,632	14,813	1,066	173,511	92,823	2,215	95,038	268,549
Interest	-	1,897	464	2,361	1,476	379	1,855	4,216
Total Expenses	\$ 6,028,096	\$ 896,824	\$ 166,955	\$ 7,091,875	\$ 1,659,563	\$ 444,998	\$ 2,104,561	\$ 9,196,436

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended May 31, 2020

	Program Services			Supporting Activities				Total Expenses
	Field Cross-cultural Workers & Projects	U.S. Based Ministries	Church Resources Ministry	Total Program Services	Management and General	Fundraising	Total Supporting Activities	
Salaries—full time	\$ 3,345,225	\$ 671,663	\$ 152,868	\$ 4,169,756	\$ 670,744	\$ 262,831	\$ 933,575	\$ 5,103,331
Salaries—temporary	86,090	51,629	18,527	156,246	18,692	33,854	52,546	208,792
Employee benefits	804,864	141,817	22,150	968,831	175,181	62,514	237,695	1,206,526
Travel & conferences	579,565	154,843	27,699	762,107	108,176	24,760	132,936	895,043
Vehicles	142,697	1,993	4,377	149,067	8,684	2,602	11,286	160,353
Communications	78,185	11,611	4,858	94,654	21,997	16,846	38,843	133,497
Promotional, dues, & copies	7,039	3,263	583	10,885	26,943	183	27,126	38,011
Housing & occupancy	15,277	8,677	2,121	26,075	21,622	1,976	23,598	49,673
Repairs & maintenance	85,537	12,089	2,631	100,257	80,004	4,202	84,206	184,463
Depreciation	-	31,377	7,670	39,047	24,405	6,275	30,680	69,727
Project & direct support	900,618	12,093	2,950	915,661	66,580	47,311	113,891	1,029,552
Supplies	19,247	10,749	2,104	32,100	5,013	1,510	6,523	38,623
Consulting & professional services	27,905	47,395	811	76,111	283,918	79,261	363,179	439,290
Other expenses	198,198	15,593	1,270	215,061	102,191	4,635	106,826	321,887
Interest	-	1,055	258	1,313	821	211	1,032	2,345
Total Expenses	\$ 6,290,447	\$ 1,175,847	\$ 250,877	\$ 7,717,171	\$ 1,614,971	\$ 548,971	\$ 2,163,942	\$ 9,881,113

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,118,647	\$ 194,667
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	50,711	69,727
Noncash contribution	(388,039)	(256,765)
Realized/unrealized gains on investments	(1,387,564)	(233,046)
Payments on annuities	10,422	10,422
Trust distributions	(2,552)	(1,420)
Change in value of beneficial interest	(345,861)	(38,608)
Actuarial change in charitable gift annuities	(2,378)	(33,488)
Actuarial change in trusts	2,684	(5,089)
Changes in operating assets and liabilities:		
Contributions receivable	357,936	270,212
Other assets	(125,401)	95,992
Accounts payable and accrued expenses	12,644	(8,377)
Net Cash Provided by Operating Activities	301,249	64,227
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	477,013	262,282
Purchases of investments	-	(900,000)
Purchases of property and equipment	(3,950)	(8,440)
Net Cash Provided (Used) by Investing Activities	473,063	(646,158)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of refundable advance	-	644,804
Payments on annuities	(10,422)	(10,422)
Net Cash Provided (Used) by Financing Activities	(10,422)	634,382
Net Change in Cash and Cash Equivalents	763,890	52,451
Cash and Cash Equivalents, Beginning of Year	554,378	501,927
Cash and Cash Equivalents, End of Year	\$ 1,318,268	\$ 554,378

(continued)

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 4,216</u>	<u>\$ 2,346</u>
NONCASH OPERATING ACTIVITIES:		
Noncash contributions of securities	<u>\$ 154,494</u>	<u>\$ 423,698</u>

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

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, 2021 and 2020

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, in accordance with accounting principles generally accepted in the United States. 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, 2021 and 2020, the Organization's cash balances exceeded federally insured limits by \$1,208,598 and \$310,257, respectively.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

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, 2021 and 2020, was \$0 and \$46,954, respectively. Effective June 1, 2020, the Organization no longer accepts or records pledges due to a change in fundraising strategy. The Organization receives indications of intent to support the Organization that provide monthly, quarterly, or annual gifts of a specified amount. These indications of intent are open-ended and subject to unilateral change by the donor. They are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution. Total outstanding intentions to give to the Organization as of the years ended May 31, 2021 and 2020, were estimated to be \$392,450 and \$0, respectively.

OTHER ASSETS

Other assets consist of advances to cross-cultural workers in the field, prepaid insurance and rent and advances to cross-cultural workers that are due upon completion of term services. At May 31, 2021 and 2020, 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, 2021 and 2020

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

In a prior year, 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 support. 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, 2021 and 2020.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

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

Net assets without donor restrictions are currently available for operations under the direction of the board, designated by the board for a 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 stipulations 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 contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met.

The Organization reports gifts of cash and other assets as support with donor restrictions 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 support with donor restrictions. 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, 2021 and 2020

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 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.

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, 2021:				
Cost of informational materials and activities	\$ 109,712	\$ 87,770	\$ 21,942	\$ 219,424
Salaries and expenses of cross-cultural workers and program staff	3,069,245	31,319	31,319	3,131,883
Home office expenses	<u>251,915</u>	<u>203,057</u>	<u>20,939</u>	<u>475,911</u>
	<u>\$ 3,430,872</u>	<u>\$ 322,146</u>	<u>\$ 74,200</u>	<u>\$ 3,827,218</u>
Year Ended May 31, 2020:				
Cost of informational materials and activities	\$ 116,779	\$ 92,425	\$ 23,245	\$ 232,449
Salaries and expenses of cross-cultural workers and program staff	3,269,294	57,977	61,582	3,388,853
Home office expenses	<u>431,705</u>	<u>321,128</u>	<u>47,390</u>	<u>800,223</u>
	<u>\$ 3,817,778</u>	<u>\$ 471,530</u>	<u>\$ 132,217</u>	<u>\$ 4,421,525</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of May 31, 2021 and 2020, 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.

	May 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,318,268	\$ 554,378
Contributions receivable-net	-	357,936
Accounts receivable	181,326	125,433
Investments	5,260,484	4,478,172
Trust assets	137,071	103,539
Long-term investments	591,708	497,001
Beneficial interest in perpetual trust	2,330,698	1,984,837
Financial assets, at year-end	<u>9,819,555</u>	<u>8,101,296</u>
Less those unavailable for general expenditures within one year:		
Investments held for trust	(137,071)	(103,539)
Endowment funds-held in perpetuity	(400,540)	(404,199)
Accumulated endowment earnings not expected to be appropriated	(191,168)	(92,802)
Beneficial interest in perpetual trust	(2,330,698)	(1,984,837)
	<u>(3,059,477)</u>	<u>(2,585,377)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,760,078</u>	<u>\$ 5,515,919</u>

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. At May 31, 2021, the Organization has \$4,383,815 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 and are included in the amounts presented in the table herein.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

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 January 2022, and bearing interest at the financial institution's prime rate plus 25 basis points (3.40% at May 31, 2021). Borrowings under this line of credit are collateralized by a UCC filing against certain assets owned by the Organization. There were no outstanding borrowings for either of the years ending May 31, 2021 and 2020.

4. INVESTMENTS AND LONG-TERM INVESTMENTS:

Investments, at fair value, consist of:

	May 31,	
	2021	2020
Money market funds	\$ 407,813	\$ 1,047,359
Mutual funds	4,852,671	3,430,813
	\$ 5,260,484	\$ 4,478,172

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

	May 31,	
	2021	2020
Money market funds	\$ 28,927	\$ 49,262
Mutual funds	562,781	447,739
	\$ 591,708	\$ 497,001

5. TRUST ASSETS, LIABILITIES, AND NET ASSETS:

	May 31,	
	2021	2020
Trust assets:		
Cash	\$ 7,272	\$ 8,524
Common stock, at fair value	129,799	95,015
Total trust assets	\$ 137,071	\$ 103,539

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

5. TRUST ASSETS, LIABILITIES, AND NET ASSETS, continued:

	May 31,	
	2021	2020
Trust liabilities and net assets:		
Trust liabilities:		
Charitable remainder trust	\$ 36,803	\$ 36,671
Trust net assets	100,268	66,868
 Total trust liabilities and net assets	 \$ 137,071	 \$ 103,539

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	May 31,	
	2021	2020
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	391,194	387,243
Computer equipment	633,737	633,737
	2,187,800	2,183,849
Less accumulated depreciation	(1,749,056)	(1,698,344)
	 \$ 438,744	 \$ 485,505

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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7. NET ASSETS:

Net assets consist of:

	May 31,	
	2021	2020
Without donor restrictions:		
Undesignated	\$ 2,429,642	\$ 948,876
State required annuity reserves	750	794
Investment in Property and equipment	438,744	485,505
	<u>2,869,136</u>	<u>1,435,175</u>
With donor restrictions:		
Restricted by time or purpose:		
Projects:		
Cross-cultural workers	3,396,216	2,948,316
Projects	918,091	797,337
President's Gathering pledges	-	357,936
	<u>4,314,307</u>	<u>4,103,589</u>
Other:		
Beneficial interest in charitable remainder trust	100,268	66,868
Unexpended endowment earnings	191,168	92,802
	<u>291,436</u>	<u>159,670</u>
	<u>4,605,743</u>	<u>4,263,259</u>
Restricted in perpetuity:		
Beneficial interest in perpetual trust	2,330,698	1,984,837
Donor-restricted endowment funds	400,540	404,199
	<u>2,731,238</u>	<u>2,389,036</u>
Total net assets	<u>\$ 10,206,117</u>	<u>\$ 8,087,470</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

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, 2021 and 2020, respectively.

	May 31, 2021			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Money market funds	\$ 407,813	\$ 407,813	\$ -	\$ -
Mutual funds:				
Global stock funds	3,299,687	3,299,687	-	-
Bond funds	1,552,984	1,552,984	-	-
	<u>4,852,671</u>	<u>4,852,671</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	<u>\$ 5,260,484</u>	<u>\$ 5,260,484</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term investments, at fair value:				
Money market funds	\$ 28,927	\$ 28,927	\$ -	\$ -
Mutual funds:				
Global stock funds	373,058	373,058	-	-
Bond funds	189,723	189,723	-	-
	<u>562,781</u>	<u>562,781</u>	<u>-</u>	<u>-</u>
Total long-term investments, at fair value	<u>\$ 591,708</u>	<u>\$ 591,708</u>	<u>\$ -</u>	<u>\$ -</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2021			
	Total	Level 1	Level 2	Level 3
Beneficial interest in perpetual trust, at fair value	\$ 2,330,698	\$ -	\$ -	\$ 2,330,698
Trust assets, at fair value:				
Common stocks:				
Industrial goods	\$ 16,879	\$ 16,879	\$ -	\$ -
Technology	35,396	35,396	-	-
Financial	23,751	23,751	-	-
Healthcare	18,520	18,520	-	-
Basic materials	728	728	-	-
Services	12,337	12,337	-	-
Consumer goods	18,573	18,573	-	-
Utilities	3,615	3,615	-	-
Total trust assets, at fair value	\$ 129,799	\$ 129,799	\$ -	\$ -
	May 31, 2020			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Money market funds	\$ 1,047,359	\$ 1,047,359	\$ -	\$ -
Mutual funds:				
Global stock funds	1,875,583	1,875,583	-	-
Bond funds	1,555,230	1,555,230	-	-
	3,430,813	3,430,813	-	-
Total investments, at fair value	\$ 4,478,172	\$ 4,478,172	\$ -	\$ -

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2021 and 2020

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2020			
	Total	Level 1	Level 2	Level 3
Long-term investments, at fair value:				
Money market funds	\$ 49,262	\$ 49,262	\$ -	\$ -
Mutual funds:				
Global stock funds	259,407	259,407	-	-
Bond funds	188,332	188,332	-	-
	<u>447,739</u>	<u>447,739</u>	<u>-</u>	<u>-</u>
Total long-term investments, at fair value	<u>\$ 497,001</u>	<u>\$ 497,001</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust, at fair value	<u>\$ 1,984,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,984,837</u>
Trust assets, at fair value:				
Common stocks:				
Industrial goods	\$ 8,343	\$ 8,343	\$ -	\$ -
Technology	26,580	26,580	-	-
Financial	13,680	13,680	-	-
Healthcare	15,532	15,532	-	-
Basic materials	3,242	3,242	-	-
Services	11,098	11,098	-	-
Consumer goods	13,465	13,465	-	-
Utilities	3,075	3,075	-	-
Total trust assets, at fair value	<u>\$ 95,015</u>	<u>\$ 95,015</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, 2021 and 2020

8. FAIR VALUE MEASUREMENTS, continued:

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

	May 31,	
	2021	2020
Beginning balance:	\$ 1,984,837	\$ 1,946,229
Contributions of beneficial interests	-	-
Distributions of beneficial interests	-	-
Change in value of beneficial interest in perpetual trust	345,861	38,608
Ending balance	<u>\$ 2,330,698</u>	<u>\$ 1,984,837</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, 2021 and 2020

9. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of May 31, 2021:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original gift amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 400,540	\$ 191,168	\$ 591,708	\$ 591,708

Changes in endowment net assets for the year ended May 31, 2021:

	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, 2020	\$ -	\$ 404,199	\$ 92,802	\$ 497,001	\$ 497,001
Investment return, net	-	-	94,707	94,707	94,707
Transfers	-	(3,659)	3,659	-	-
Endowment net assets, May 31, 2021	\$ -	\$ 400,540	\$ 191,168	\$ 591,708	\$ 591,708

Endowment net asset composition by type of fund as of May 31, 2020:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 404,199	\$ 92,802	\$ 497,001	\$ 497,001

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Notes to Consolidated Financial Statements

May 31, 2021 and 2020

9. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended May 31, 2020:

	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, 2019	\$ -	\$ 408,092	\$ 79,837	\$ 487,929	\$ 487,929
Investment return, net	-	-	9,072	9,072	9,072
Transfers	-	(3,893)	3,893	-	-
Endowment net assets, May 31, 2020	\$ -	\$ 404,199	\$ 92,802	\$ 497,001	\$ 497,001

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, 2021 or 2020.

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

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10. EMPLOYEE BENEFIT PLANS:

Pension Plan:

Effective June 1, 2015, the Organization created a 403(b) Retirement Plan (the Plan). The Plan 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). Management at the Organization is responsible for the oversight of the Plan and determines the appropriateness of the Plan's investment offerings, monitors investment performance, and reports to the Organization's board of directors. Participants may elect to make pre-tax or Roth contributions to the Plan through salary deferral. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. The Organization makes a matching contribution of up to 6% of participant compensation for eligible employees. Contributions to the Plan are subject to certain limitations in accordance with federal income tax regulations. Employees must be U.S.-based employees working at least 1,000 hours per year and compensated through a competitive salary administration program in order to be eligible for employer matching contributions. Generally, this excludes any cross-cultural workers. Highly compensated employees are also excluded from employer matching contributions. Pension expense reported by the Organization for the years ended May 31, 2021 and 2020, was \$86,195 and \$91,940, respectively.

Employee Education Savings Plan:

All staff are allowed to contribute a portion of their salary (not limited) towards childhood education savings plans. The Organization made no contributions for both of the years ended May 31, 2021 and 2020.

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, 2021 and 2020, was \$31,117, and \$83,903, respectively.

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

<u>Years Ending May 31,</u>	<u>Amounts</u>
2022	\$ 20,827
2023	15,381
2024	15,381
2025	15,381
2026	6,409
	<u>\$ 73,379</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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12. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and globally. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. As part of the response to the impact of COVID-19, the Organization applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. The Organization was approved for and received the proceeds of a loan in the amount of \$644,804. The loan bears interest at a fixed rate of 1.00% and is due in April 2022. For the year ended May 31, 2020, in accordance with FASB ASC 958-605, the Organization recognized in the accompanying consolidated statements of activities, a noncash contribution without donor restrictions in the amount of \$256,765, with the remainder of the outstanding loan proceeds in the amount of \$388,039 recorded as a refundable advance in the accompanying consolidated statements of financial position. For the year ended May 31, 2021, the Organization recognized the remaining loan amount of \$388,039 as a noncash contribution without donor restrictions. Based on the provisions included in the CARES Act, the loan agreement provides for loan forgiveness up to the full amount of the loan, including accrued interest, provided the Organization overcomes (meets) certain loan stipulations. Effective September 9, 2021, the Organization received notification of forgiveness from the SBA for the full PPP loan amount, including accrued interest.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 14, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.