



TMS GLOBAL, INC. AND AFFILIATES

Financial Statements
With Independent Auditors' Report

May 31, 2017 and 2016

TMS GLOBAL, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
TMS Global, Inc.
Norcross, Georgia

We have audited the accompanying financial statements of TMS Global, Inc. which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
TMS Global, Inc.
Norcross, Georgia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TMS Global, Inc. as of May 31, 2017 and 2016, 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
September 29, 2017

TMS GLOBAL, INC.

Statements of Financial Position

	May 31,	
	2017	2016
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 268,655	\$ 471,107
Missionary advances and other receivables	134,925	126,393
Contributions receivable–net	1,550,257	635,741
Investments	3,531,187	3,366,927
Prepaid expenses	3,580	58,669
	5,488,604	4,658,837
Notes receivable	18,607	26,975
Long-term investments	464,822	441,842
Beneficial interest in perpetual trust	1,996,442	1,877,457
Trust assets	88,145	80,592
Property and equipment–net	634,792	692,898
	5,488,604	4,658,837
Total Assets	\$ 8,691,412	\$ 7,778,601
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 92,560	\$ 36,283
Annuities payable–current portion	14,957	14,591
	107,517	50,874
Trust liabilities	40,139	43,321
Annuities payable–net of current portion	87,217	93,208
	234,873	187,403
Net assets:		
Unrestricted	1,212,099	1,348,305
Temporarily restricted	4,783,595	3,924,239
Permanently restricted	2,460,845	2,318,654
	8,456,539	7,591,198
Total Liabilities and Net Assets	\$ 8,691,412	\$ 7,778,601

See notes to financial statements

TMS GLOBAL, INC.

Statements of Activities

	Year Ended May 31,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCOME:								
Support:								
Contributions	\$1,106,232	\$8,815,579	\$ -	\$9,921,811	\$1,273,368	\$7,668,819	\$ 125	\$8,942,312
Gift-in-kind contributions	149,617	121,680	-	271,297	167,616	67,423	-	235,039
	1,255,849	8,937,259	-	10,193,108	1,440,984	7,736,242	125	9,177,351
Revenue:								
Fee income	39,798	-	-	39,798	35,244	-	-	35,244
Investment income (loss)	423,586	-	41,142	464,728	93,408	-	(9,431)	83,977
Change in value of annuities and trusts	(1,285)	10,735	118,985	128,435	412	37,271	(212,868)	(175,185)
Other income	31,584	-	-	31,584	49,229	-	-	49,229
	493,683	10,735	160,127	664,545	178,293	37,271	(222,299)	(6,735)
Total Income	1,749,532	8,947,994	160,127	10,857,653	1,619,277	7,773,513	(222,174)	9,170,616
RECLASSIFICATIONS:								
Net assets released from restriction:								
Satisfaction of purpose restrictions	7,137,478	(7,137,478)	-	-	7,224,659	(7,224,659)	-	-
Released with donor permission	17,936	-	(17,936)	-	7,441	-	(7,441)	-
Administrative assessments	951,160	(951,160)	-	-	918,194	(918,194)	-	-
Total Reclassifications	8,106,574	(8,088,638)	(17,936)	-	8,150,294	(8,142,853)	(7,441)	-

(continued)

See notes to financial statements

TMS GLOBAL, INC.

Statements of Activities (continued)

	Year Ended May 31,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Field missionaries and projects	6,205,333	-	-	6,205,333	6,251,842	-	-	6,251,842
U.S. based ministries	1,352,686	-	-	1,352,686	1,037,574	-	-	1,037,574
Church resources ministry	383,664	-	-	383,664	390,788	-	-	390,788
	<u>7,941,683</u>	<u>-</u>	<u>-</u>	<u>7,941,683</u>	<u>7,680,204</u>	<u>-</u>	<u>-</u>	<u>7,680,204</u>
Supporting activities:								
Management and general	1,294,031	-	-	1,294,031	1,547,642	-	-	1,547,642
Fund-raising	756,598	-	-	756,598	722,020	-	-	722,020
	<u>2,050,629</u>	<u>-</u>	<u>-</u>	<u>2,050,629</u>	<u>2,269,662</u>	<u>-</u>	<u>-</u>	<u>2,269,662</u>
Total Expenses	<u>9,992,312</u>	<u>-</u>	<u>-</u>	<u>9,992,312</u>	<u>9,949,866</u>	<u>-</u>	<u>-</u>	<u>9,949,866</u>
Change in Net Assets	(136,206)	859,356	142,191	865,341	(180,295)	(369,340)	(229,615)	(779,250)
Net Assets, Beginning of Year	<u>1,348,305</u>	<u>3,924,239</u>	<u>2,318,654</u>	<u>7,591,198</u>	<u>1,528,600</u>	<u>4,293,579</u>	<u>2,548,269</u>	<u>8,370,448</u>
Net Assets, End of Year	<u>\$1,212,099</u>	<u>\$4,783,595</u>	<u>\$2,460,845</u>	<u>\$8,456,539</u>	<u>\$1,348,305</u>	<u>\$3,924,239</u>	<u>\$2,318,654</u>	<u>\$7,591,198</u>

See notes to financial statements

TMS GLOBAL, INC.

Statements of Cash Flows

	Year Ended May 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 865,341	\$ (779,250)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	98,733	99,213
Realized (gains) loss on investments–net	(143,974)	2,367
Unrealized gains on investments–net	(320,754)	(86,344)
Noncash contributions of securities	(271,297)	(235,039)
Payments on annuities	19,196	16,531
Trust distributions	(3,032)	(1,220)
Change in value of beneficial interest	(118,985)	212,868
Actuarial change in charitable gift annuities	(1,285)	412
Actuarial change in trusts	10,735	(37,271)
Changes in operating assets and liabilities:		
Missionary advances and other receivables	(8,532)	85,206
Contributions receivable–net	(914,516)	260,459
Notes receivable	8,368	2,251
Prepaid expenses and other assets	55,089	(57,889)
Accounts payable and accrued expenses	56,277	581
Trust liabilities	-	(15,953)
Net Cash Used by Operating Activities	(668,636)	(533,078)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	5,826,058	1,109,185
Purchases of investments	(5,300,051)	(571,883)
Purchases of property and equipment	(40,627)	(87,117)
Net Cash Provided by Investing Activities	485,380	450,185
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on annuities	(19,196)	(16,531)
Net Cash Used by Financing Activities	(19,196)	(16,531)

(continued)

See notes to financial statements

TMS GLOBAL, INC.

Statements of Cash Flows

	Year Ended May 31,	
	<u>2017</u>	<u>2016</u>
Net Change in Cash and Cash Equivalents	(202,452)	(99,424)
Cash and Cash Equivalents, Beginning of Year	<u>471,107</u>	<u>570,531</u>
Cash and Cash Equivalents, End of Year	<u>\$ 268,655</u>	<u>\$ 471,107</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 7,983</u>	<u>\$ 8,436</u>
Contributions of securities	<u>\$ 271,297</u>	<u>\$ 235,039</u>

See notes to financial statements

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

TMS Global, Inc. (Organization), headquartered in Norcross, Georgia, is a Georgia not-for-profit corporation formed on January 6, 1984.

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 233 missionaries presently serve in 34 countries on 5 continents in a wide array of ministries. Several additional countries are served through missionaries working under cooperative agreements with partner agencies.

The Organization is a faith mission and its missionaries depend totally upon voluntary gifts of individuals, businesses, churches, foundations, and other charities. Last year, The Organization received approximately 62 percent of its support from individuals, 25 percent from churches, and 13 percent from private foundations and other entities.

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

The Organization and its combined entities 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. The Organization and its combined entities are not private foundations under Section 509(a)(1) of the Code.

Programs:

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 Organization's Church Ministries Division.

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

ESTIMATES

The preparation of 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 and disclosures at the date of the financial statements. Actual results could differ from those estimates.

RECLASSIFICATION

Certain information from the prior year financial statements has been reclassified to conform to the current year presentation format.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, checking, savings, money market accounts, 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.

MISSIONARY ADVANCES AND OTHER RECEIVABLES

Missionary advances and other receivables represent cash advanced to missionaries on the mission field to be used for the missionary's expenses or international travel for U.S. based employees. These advances are later recorded in the financial statements as missionary or program expenses when the Organization receives supporting documentation from the missionary or staff member that the funds have been expended. No provision for uncollectible accounts is deemed necessary.

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, 2017 and 2016, was \$59,990 and \$51,547, respectively.

PREPAID EXPENSES

Prepaid expenses consist of prepaid insurance, rent, and other prepaid operating expenses.

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTES RECEIVABLE

Notes receivable consist of advances made to missionaries due upon completion of term service. The notes are repaid through monthly payroll or through accountable reimbursements. No provision 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. Other investments are stated at the lower of cost or fair value. Donated investments are recorded at market value at the date of donation. Realized and unrealized gains and losses on marketable securities and other investments are included with investment income (loss) in the accompanying statements of activities. Investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is adequately diversified among many issuers.

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 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. Income of \$85,503 and \$110,902 received during the years ended May 31, 2017 and 2016, respectively, is included in unrestricted investment income in the accompanying statements of activities.

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, Inc. 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 the Organization. Distributions from the remainder trust are to be paid to a designated recipient over the course of her life. Upon her death, the remainder of the trust assets will pass to the Organization. The estimated present value of future distributions to the Organization has been recognized and reported as beneficial interest in charitable remainder trust as part of temporarily restricted net assets. During the trust years ended December 31, 2016 and 2015, the trust distributions were \$2,006 and \$4,745, respectively.

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT—NET

Property and equipment are carried at historical cost less accumulated depreciation. 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 missionary use purchased from missionary support accounts. They are expensed when purchased. When sold, proceeds are returned to missionary support accounts. Additionally, all computer equipment, regardless of cost, is capitalized at management's discretion.

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 when the agreement terminates. The discount rates for these annuities range from 7 percent to 14 percent.

NET ASSETS

The financial statements report amounts by classification of net assets:

Unrestricted net assets 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.

Temporarily restricted net assets 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.

Permanently restricted net assets are contributed with donor stipulations that the principal remain in perpetuity and only the income be available as unrestricted or temporarily restricted, as stipulated in the endowment agreements.

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, 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 unrestricted if they are spent in the same period. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as reclassifications.

The Organization reports gifts of land, buildings, and equipment as unrestricted support 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 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.

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 statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF JOINT COSTS

The Organization incurred joint costs that include fund-raising appeals or activities:

	Program	General and Administrative	Fund-raising	Total
Year Ended May 31, 2017:				
Cost of informational materials and activities	\$ 140,384	\$ 98,904	\$ 64,649	\$ 303,937
Salaries and expenses of missionaries and program staff	2,912,285	37,267	96,513	3,046,065
Home office expenses	329,367	244,948	36,180	610,495
	\$ 3,382,036	\$ 381,119	\$ 197,342	\$ 3,960,497
Year Ended May 31, 2016:				
Cost of informational materials and activities	\$ 166,647	\$ 114,264	\$ 87,165	\$ 368,076
Salaries and expenses of missionaries and program staff	2,782,183	42,434	106,662	2,931,279
Home office expenses	296,923	241,143	35,304	573,370
	\$ 3,245,753	\$ 397,841	\$ 229,131	\$ 3,872,725

3. MISSIONARY ADVANCES AND OTHER RECEIVABLES:

Advances and other receivables consist of:

	May 31,	
	2017	2016
Missionary advances	\$ 82,632	\$ 93,838
Other	52,293	32,555
	\$ 134,925	\$ 126,393

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

4. INVESTMENTS:

Investments, at fair value, consist of:

	May 31,	
	2017	2016
Money market funds	\$ 350,158	\$ 26,824
Mutual funds	3,181,029	3,340,103
	\$ 3,531,187	\$ 3,366,927

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

	May 31,	
	2017	2016
Money market funds	\$ 36,724	\$ 985
Mutual funds	428,098	440,857
	\$ 464,822	\$ 441,842

Investment income consists of:

	Year ended May 31,	
	2017	2016
Interest and dividends	\$ 113,202	\$ 142,232
Realized gain (loss) on investments–net	143,974	(2,367)
Unrealized gain (loss) on investments–net	207,552	(55,888)
	\$ 464,728	\$ 83,977

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

5. TRUST ASSETS, LIABILITIES, AND NET ASSETS

	May 31,	
	2017	2016
Trust assets:		
Cash	\$ 3,829	\$ 2,122
Common stock, at fair value	84,316	78,470
	\$ 88,145	\$ 80,592
Trust liabilities and net assets:		
Trust liabilities:		
Charitable remainder trust	\$ 40,139	\$ 43,321
Trust net assets	\$ 48,006	\$ 37,271
	\$ 88,145	\$ 80,592

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	May 31,	
	2017	2016
Land	\$ 150,000	\$ 150,000
Land improvements	184,181	184,181
Building	438,577	438,577
Building improvements	371,723	367,023
Furniture and equipment	362,072	350,795
Computer equipment	594,741	570,092
Apartments (other countries)	-	18,450
	2,101,294	2,079,118
Less accumulated depreciation	(1,466,502)	(1,386,220)
Equity in property and equipment	\$ 634,792	\$ 692,898

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

6. LINE OF CREDIT PAYABLE:

The Organization entered into a \$2,963,000 margin line of credit agreement commencing September 23, 2014, collateralized by investments held with UBS. The line of credit has a rate of interest equal to the 30 Day LIBOR plus 2.5% (2.943% at May 31, 2016), based on a revolving credit balance. As of May 31, 2016, there were no outstanding borrowings under this margin line of credit. Effective April 2017, the margin line of credit was closed.

Effective April 2017, the Organization has an available \$400,000 revolving working capital line of credit with a certain financial institution, subject to renewal in April 2018, and bearing interest at the prime rate plus 1% or 4% (5% at May 31, 2017). Borrowings under this line of credit are collateralized by certain real property owned by the Organization. As of May 31, 2017, there were no outstanding borrowings under this line of credit.

7. NET ASSETS:

Net assets consist of:

	May 31,	
	2017	2016
Unrestricted:		
Undesignated	\$ 574,742	\$ 652,692
State required annuity reserves	2,565	2,715
Equity in property and equipment	634,792	692,898
	<u>1,212,099</u>	<u>1,348,305</u>
Temporarily restricted:		
Missionary staff	2,699,032	2,586,144
Projects	1,296,680	665,082
Beneficial interest in charitable remainder trust	48,006	37,271
President's Gathering pledges	739,877	635,742
	<u>4,783,595</u>	<u>3,924,239</u>
Permanently restricted:		
Beneficial interest in perpetual trust	1,996,442	1,877,457
Donor-restricted endowment funds	464,403	441,197
	<u>2,460,845</u>	<u>2,318,654</u>
	<u>\$ 8,456,539</u>	<u>\$ 7,591,198</u>

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

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 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, 2017 and 2016, respectively.

	May 31, 2017			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 350,158	\$ 350,158	\$ -	\$ -
Mutual funds:				
U.S. stock funds	1,204,171	1,204,171	-	-
International stock funds	393,242	393,242	-	-
Global stock funds	-	-	-	-
Bond funds	1,583,616	1,583,616	-	-
	3,181,029	3,181,029	-	-
Total investments, at fair value	\$ 3,531,187	\$ 3,531,187	\$ -	\$ -
Long-term investments:				
Money market funds	\$ 36,724	\$ 36,724	\$ -	\$ -
Mutual funds:				
U.S. stock funds	161,644	161,644	-	-
International stock funds	53,696	53,696	-	-
Global stock funds	-	-	-	-
Bond funds	212,758	212,758	-	-
	428,098	428,098	-	-
Total long-term investments, at fair value	\$ 464,822	\$ 464,822	\$ -	\$ -
Beneficial interest in perpetual trust, at fair value	\$ 1,996,442	\$ -	\$ 1,996,442	\$ -

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2017			
	Total	Level 1	Level 2	Level 3
Trust assets:				
Common stocks:				
Industrial goods	\$ 7,390	\$ 7,390	\$ -	\$ -
Technology	19,550	19,550	-	-
Financial	15,120	15,120	-	-
Healthcare	13,296	13,296	-	-
Basic materials	6,977	6,977	-	-
Services	9,292	9,292	-	-
Consumer goods	5,583	5,583	-	-
Utilities	5,846	5,846	-	-
Entertainment	1,262	1,262	-	-
	<u>\$ 84,316</u>	<u>\$ 84,316</u>	<u>\$ -</u>	<u>\$ -</u>
Total trust assets, at fair value	<u>\$ 84,316</u>	<u>\$ 84,316</u>	<u>\$ -</u>	<u>\$ -</u>

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2016			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 26,824	\$ 26,824	\$ -	\$ -
Mutual funds:				
U.S. stock funds	1,117,285	1,117,285	-	-
International stock funds	685,219	685,219	-	-
Global stock funds	250,916	250,916	-	-
Bond funds	1,286,683	1,286,683	-	-
	3,340,103	3,340,103	-	-
 Total investments, at fair value	\$ 3,366,927	\$ 3,366,927	\$ -	\$ -
 Long-term investments:				
Money market funds	\$ 985	\$ 985	\$ -	\$ -
Mutual funds:				
U.S. stock funds	148,093	148,093	-	-
International stock funds	88,520	88,520	-	-
Global stock funds	31,864	31,864	-	-
Bond funds	172,380	172,380	-	-
	440,857	440,857	-	-
 Total long-term investments, at fair value	\$ 441,842	\$ 441,842	\$ -	\$ -
 Beneficial interest in perpetual trust, at fair value	\$ 1,877,457	\$ -	\$ 1,877,457	\$ -

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2016			
	Total	Level 1	Level 2	Level 3
Trust assets:				
Common stocks:				
Industrial goods	\$ 7,099	\$ 7,099	\$ -	\$ -
Technology	17,887	17,887	-	-
Financial	14,425	14,425	-	-
Healthcare	12,909	12,909	-	-
Basic materials	6,852	6,852	-	-
Services	7,554	7,554	-	-
Consumer goods	5,668	5,668	-	-
Utilities	5,282	5,282	-	-
Entertainment	794	794	-	-
	\$ 78,470	\$ 78,470	\$ -	\$ -
Total trust assets, at fair value	\$ 78,470	\$ 78,470	\$ -	\$ -

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

Valuation techniques : The fair values of common stock, mutual funds, government notes and bonds, 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, government notes and bonds, corporate bonds, and marketable securities.

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

9. ENDOWMENTS:

The Organization's endowment consists of two donor-restricted endowment funds established under donor permanently 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets 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.

Notes to Financial Statements

May 31, 2017 and 2016

9. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of May 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted funds	\$ -	\$ -	\$ 464,403

Changes in endowment net assets for year ended May 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -	\$ -	\$ 441,197
Investment return:			
Interest and dividends	-	-	17,059
Net gains (realized and unrealized)	-	-	24,083
	-	-	41,142
Released with donor permission	-	-	(17,936)
Endowment net assets, end of year	\$ -	\$ -	\$ 464,403

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

9. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of May 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted funds	\$ -	\$ -	\$ 441,197

Changes in endowment net assets for year ended May 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -	\$ -	\$ 457,944
Investment return:			
Interest and dividends	-	-	16,715
Net losses (realized and unrealized)	-	-	(26,146)
	-	-	(9,431)
Contributions	-	-	125
Released with donor permission	-	-	(7,441)
Endowment net assets, end of year	\$ -	\$ -	\$ 441,197

May 31,

2017	2016
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Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by GUPMIFA

\$ 464,403	\$ 441,197
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TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

9. ENDOWMENTS, continued:

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.

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$-0- and \$-0- as of May 31, 2017 and 2016, respectively.

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 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.

10. EMPLOYEE BENEFIT PLANS:

Pension Plan:

Effective January 1, 2009, the Organization created an enhanced Defined Contribution Plan pursuant to the provisions under Section 401(k) of the Internal Revenue Code's "safe harbor" rules. Under the Plan, there are no separate classes of employees; instead, all employees are offered the same benefits.

The Organization will credit all employees with a pension contribution of three percent of salary plus housing allowance. Furthermore, all employees can elect voluntary contributions up to three percent of their salary (plus housing), which is then matched by the Organization. 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, 2017 and 2016, was \$103,499 and \$99,373, respectively.

TMS GLOBAL, INC.

Notes to Financial Statements

May 31, 2017 and 2016

10. EMPLOYEE BENEFIT PLANS, continued:

Employee Education Savings Plan:

The Organization has established an employee benefit program to assist in funding education for missionary children. Under the plan guidelines, a two percent salary deduction plus a matching amount, is held for the benefit of the missionary. All benefits plus interest earned thereon are treated as income to the missionary when set aside. Contributions by the Organization for the years ended May 31, 2017 and 2016, were \$49,541 and \$32,800, 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, 2017 and 2016, were \$39,475 and \$22,819, respectively.

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

<u>Years Ending May 31,</u>	<u>Amounts</u>
2018	\$ 81,785
2019	18,666
2020	13,204
	<u>\$ 113,655</u>

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 29, 2017, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
TMS Global, Inc.
Norcross, Georgia

We have audited the financial statements of TMS Global, Inc. as of and for the years ended May 31, 2017 and 2016, and our report thereon dated September 29, 2017, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Capin Crouse LLP

Lawrenceville, Georgia
September 29, 2017

TMS GLOBAL, INC.

Schedule of Functional Expenses

Year Ended May 31, 2017

	Program Services			Supporting Activities				
	Field Missionaries & Projects	U.S. Based Ministries	Church Resources Ministry	Total Program Services	Management and General	Fund-raising	Total Supporting Activities	
Salaries-full-time	\$3,046,065	\$ 653,801	\$ 250,562	\$3,950,428	\$ 795,281	\$ 187,995	\$ 983,276	\$4,933,704
Salaries-temporaries	144,721	42,623	-	187,344	33,819	18,000	51,819	239,163
Benefits	735,835	143,020	45,312	924,167	186,942	42,409	229,351	1,153,518
Travel	517,393	154,997	26,055	698,445	56,079	28,925	85,004	783,449
Vehicle	211,595	10,963	4,976	227,534	7,779	5,010	12,789	240,323
Communications	87,676	5,754	4,321	97,751	119,327	44,419	163,746	261,497
Promotional, dues, and copies	668	1,201	1,449	3,318	23,275	750	24,025	27,343
Housing / Occupancy	13,237	1,775	-	15,012	-	39,657	39,657	54,669
Equipment	115,472	11,993	-	127,465	52,790	341	53,131	180,596
Depreciation	-	-	-	-	98,733	-	98,733	98,733
Other ministry expenses	888,764	61,304	5,194	955,262	44,877	157,298	202,175	1,157,437
Supplies	18,392	4,631	1,321	24,344	17,077	3,166	20,243	44,587
Professional services	4,083	81,973	254	86,310	285,614	31,018	316,632	402,942
Other and miscellaneous expenses	27,185	1,497	-	28,682	22,585	268	22,853	51,535
Education and training expense	120,606	(3,746)	-	116,860	(8,623)	-	(8,623)	108,237
Seconded ministries expense	162,790	-	-	162,790	-	-	-	162,790
Interest expense	-	-	-	-	7,983	-	7,983	7,983
Bad debt-pledges receivable	-	-	-	-	83,806	-	83,806	83,806
Internal allocations and transfers	110,851	180,900	44,220	335,971	(533,313)	197,342	(335,971)	-
Total Expenses	\$6,205,333	\$1,352,686	\$ 383,664	\$7,941,683	\$1,294,031	\$ 756,598	\$2,050,629	\$9,992,312
				79.5%	13.0%	7.6%	20.5%	

TMS GLOBAL, INC.

Schedule of Functional Expenses

Year Ended May 31, 2016

	Program Services			Supporting Activities				
	Field Missionaries & Projects	U.S. Based Ministries	Church Resources Ministry	Total Program Services	Management and General	Fund-raising	Total Supporting Activities	Total Expenses
Salaries-full-time	\$2,931,279	\$ 443,520	\$ 255,723	\$3,630,522	\$ 883,665	\$ 193,546	\$1,077,211	\$4,707,733
Salaries-temporaries	141,043	46,383	-	187,426	39,401	-	39,401	226,827
Benefits	769,747	107,720	40,251	917,718	198,591	46,148	244,739	1,162,457
Travel	484,325	160,205	28,102	672,632	62,179	25,140	87,319	759,951
Vehicle	240,997	10,504	5,812	257,313	8,208	3,747	11,955	269,268
Communications	83,912	4,831	5,112	93,855	117,997	45,374	163,371	257,226
Promotional, dues, and copies	118	104	388	610	30,913	3,919	34,832	35,442
Housing / Occupancy	13,317	-	-	13,317	49,943	-	49,943	63,260
Equipment	99,884	180	4,113	104,177	70,715	58	70,773	174,950
Depreciation	-	-	-	-	99,213	-	99,213	99,213
Other ministry expenses	868,144	40,302	3,185	911,631	45,831	143,510	189,341	1,100,972
Supplies	28,459	6,113	3,342	37,914	14,826	936	15,762	53,676
Professional services	2,817	71,748	4,398	78,963	305,424	30,361	335,785	414,748
Other and miscellaneous expenses	40,515	4,517	25	45,057	13,974	14	13,988	59,045
Education and training expense	212,603	(1,845)	248	211,006	(7,297)	135	(7,162)	203,844
Seconded ministries expense	166,360	-	-	166,360	-	-	-	166,360
Interest expense	-	-	-	-	8,436	-	8,436	8,436
Bad debt-pledges receivable	-	-	-	-	186,458	-	186,458	186,458
Internal allocations and transfers	168,322	143,292	40,089	351,703	(580,835)	229,132	(351,703)	-
Total Expenses	\$6,251,842	\$1,037,574	\$ 390,788	\$7,680,204	\$1,547,642	\$ 722,020	\$2,269,662	\$9,949,866
				77.2%	15.6%	7.3%	22.8%	