



TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

May 31, 2018 and 2017

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. and Subsidiaries which comprise the consolidated statements of financial position as of May 31, 2018 and 2017, and the related consolidated statements of activities 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, 2018 and 2017, 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
May 17, 2019

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	May 31,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 10,611	\$ 268,655
Contributions receivable–net	1,471,423	1,550,257
Other assets	208,018	157,112
Investments	3,505,693	3,531,606
Trust assets	97,575	88,145
Property and equipment–net	582,191	634,792
Long-term investments	473,849	464,403
Beneficial interest in perpetual trust	2,033,809	1,996,442
	<u>2,033,809</u>	<u>1,996,442</u>
 Total Assets	 <u>\$ 8,383,169</u>	 <u>\$ 8,691,412</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 71,051	\$ 92,560
Bank line of credit	375,000	-
Annuities payable	84,652	102,174
Trust liabilities	40,139	40,139
	<u>570,842</u>	<u>234,873</u>
 Net assets:		
Unrestricted	670,796	1,212,099
Temporarily restricted	4,833,535	4,783,595
Permanently restricted	2,307,996	2,460,845
	<u>7,812,327</u>	<u>8,456,539</u>
 Total Liabilities and Net Assets	 <u>\$ 8,383,169</u>	 <u>\$ 8,691,412</u>

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

		Year Ended May 31,						
		2018			2017			
		Temporarily	Permanently		Temporarily	Permanently		
	Unrestricted	Restricted	Restricted	Total	Unrestricted	Restricted	Restricted	Total
SUPPORT AND REVENUE:								
Support:								
Contributions	\$ 775,513	\$7,820,698	\$ -	\$8,596,211	\$1,106,232	\$8,815,579	\$ -	\$9,921,811
Gift-in-kind contributions	186,983	-	-	186,983	149,617	121,680	-	271,297
	<u>962,496</u>	<u>7,820,698</u>	<u>-</u>	<u>8,783,194</u>	<u>1,255,849</u>	<u>8,937,259</u>	<u>-</u>	<u>10,193,108</u>
Revenue:								
Fee income	53,983	-	-	53,983	39,798	-	-	39,798
Investment income	256,307	-	9,446	265,753	423,586	-	41,142	464,728
Change in value of annuities and trusts	17,522	(11,872)	37,367	43,017	(1,285)	10,735	118,985	128,435
Other income	28,288	-	-	28,288	31,584	-	-	31,584
	<u>356,100</u>	<u>(11,872)</u>	<u>46,813</u>	<u>391,041</u>	<u>493,683</u>	<u>10,735</u>	<u>160,127</u>	<u>664,545</u>
Total Support and Revenue	<u>1,318,596</u>	<u>7,808,826</u>	<u>46,813</u>	<u>9,174,235</u>	<u>1,749,532</u>	<u>8,947,994</u>	<u>160,127</u>	<u>10,857,653</u>
RECLASSIFICATIONS:								
Net assets released from restriction:								
Satisfaction of purpose restrictions	7,012,932	(7,012,932)	-	-	7,137,478	(7,137,478)	-	-
Reclassified with donor permission	-	199,662	(199,662)	-	17,936	-	(17,936)	-
Administrative assessments	945,616	(945,616)	-	-	951,160	(951,160)	-	-
Total Reclassifications	<u>7,958,548</u>	<u>(7,758,886)</u>	<u>(199,662)</u>	<u>-</u>	<u>8,106,574</u>	<u>(8,088,638)</u>	<u>(17,936)</u>	<u>-</u>

(continued)

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities (continued)

	Year Ended May 31,							
	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Field cross-cultural workers and projects	6,088,233	-	-	6,088,233	6,205,333	-	-	6,205,333
U.S. based cross-cultural workers	1,585,503	-	-	1,585,503	1,352,686	-	-	1,352,686
Church resources ministry	344,514	-	-	344,514	383,664	-	-	383,664
	<u>8,018,250</u>	<u>-</u>	<u>-</u>	<u>8,018,250</u>	<u>7,941,683</u>	<u>-</u>	<u>-</u>	<u>7,941,683</u>
Supporting activities:								
Management and general	1,190,336	-	-	1,190,336	1,294,031	-	-	1,294,031
Fundraising	609,861	-	-	609,861	756,598	-	-	756,598
	<u>1,800,197</u>	<u>-</u>	<u>-</u>	<u>1,800,197</u>	<u>2,050,629</u>	<u>-</u>	<u>-</u>	<u>2,050,629</u>
Total Expenses	<u>9,818,447</u>	<u>-</u>	<u>-</u>	<u>9,818,447</u>	<u>9,992,312</u>	<u>-</u>	<u>-</u>	<u>9,992,312</u>
Change in Net Assets	(541,303)	49,940	(152,849)	(644,212)	(136,206)	859,356	142,191	865,341
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 670,796</u>	<u>\$4,833,535</u>	<u>\$2,307,996</u>	<u>\$7,812,327</u>	<u>\$1,212,099</u>	<u>\$4,783,595</u>	<u>\$2,460,845</u>	<u>\$8,456,539</u>

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (644,212)	\$ 865,341
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	86,639	98,733
Realized gains on investments—net	(1,340)	(143,974)
Unrealized gains on investments—net	(170,645)	(320,754)
Noncash contributions of securities	(331,989)	(271,297)
Payments on annuities	16,531	19,196
Trust distributions	(2,441)	(3,032)
Change in value of beneficial interest	(37,367)	(118,985)
Actuarial change in charitable gift annuities	(17,522)	(1,285)
Actuarial change in trusts	11,872	10,735
Changes in operating assets and liabilities:		
Contributions receivable—net	78,834	(914,516)
Other assets	(50,906)	54,925
Accounts payable and accrued expenses	(21,509)	56,277
Net Cash Used by Operating Activities	<u>(1,084,055)</u>	<u>(668,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	698,690	5,826,058
Purchases of investments	(197,110)	(5,300,051)
Purchases of property and equipment	(34,038)	(40,627)
Net Cash Provided by Investing Activities	<u>467,542</u>	<u>485,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on line of credit	375,000	-
Payments on annuities	(16,531)	(19,196)
Net Cash Provided (Used) by Financing Activities	<u>358,469</u>	<u>(19,196)</u>

(continued)

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	2018	2017
Net Change in Cash and Cash Equivalents	(258,044)	(202,452)
Cash and Cash Equivalents, Beginning of Year	268,655	471,107
Cash and Cash Equivalents, End of Year	<u>\$ 10,611</u>	<u>\$ 268,655</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 14,176</u>	<u>\$ 7,983</u>

See notes to consolidated financial statements

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

1. NATURE OF ORGANIZATION:

TMS Global, Inc. and Subsidiaries 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.

TMS Global 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.

TMS Global 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, TMS Global is a member of the Evangelical Council for Financial Accountability and MissioNexus.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

1. NATURE OF ORGANIZATION, continued:

In furtherance of its exempt purposes, TMS Global 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, TMS Global 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. TMS Global also provides educational, medical, vocational, social, and other humanitarian services.

In the United States, TMS Global 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 Ministries Division.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

PRINCIPLES OF CONSOLIDATION

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

ESTIMATES

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

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. At May 31, 2018 and 2017, the Organization's cash balances exceeded federally insured limits by \$2,834 and \$46,921, respectively.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

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, 2018 and 2017, was \$54,303 and \$59,990, respectively.

OTHER ASSETS

Other assets consist of advances to cross-cultural workers on the field, prepaid insurance and rent and advances to cross-cultural workers that are due upon completion of term services. At May 31, 2018 and 2017, 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. 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 consolidated statements of activities. 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 temporarily restricted net assets.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

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 cross-cultural worker use purchased from cross-cultural worker support accounts. They are expensed when purchased. When sold, proceeds are returned to cross-cultural worker support accounts. Additionally, all computer equipment, regardless of cost, is capitalized at management's discretion.

BENEFICIAL INTEREST IN PERPETUAL TRUST

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

CHARITABLE GIFT ANNUITIES

The Organization has several charitable gift annuities. Under these agreements, the donor makes an initial gift of cash or other assets. An annuity payment liability is measured based on the present value of estimated future payments to the named beneficiary using discount rates and actuarial assumptions which consider the donor's life expectancy and the rates typically earned on those investments. The difference between the fair value of the asset received and the annuity payment liability is recognized as contribution revenue. The asset is adjusted annually to fair value and the liability is adjusted for payments to the life income beneficiary. The discount is amortized over the life of the agreement with the remainder reclassified from temporarily restricted net assets to unrestricted net assets when the agreement terminates. The discount rates for these annuities approximates 3%.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The consolidated 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.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

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

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. Gifts are reported as unrestricted if they are spent in the same fiscal year. 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 consolidated 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 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.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2018:				
Cost of informational materials and activities	\$ 117,621	\$ 85,938	\$ 44,329	\$ 247,888
Salaries and expenses of cross-cultural workers and program staff	2,929,104	135,245	114,742	3,179,091
Home office expenses	<u>486,227</u>	<u>340,719</u>	<u>62,361</u>	<u>889,307</u>
	<u>\$ 3,532,952</u>	<u>\$ 561,902</u>	<u>\$ 221,432</u>	<u>\$ 4,316,286</u>
Year Ended May 31, 2017:				
Cost of informational materials and activities	\$ 140,384	\$ 98,904	\$ 64,649	\$ 303,937
Salaries and expenses of cross-cultural workers and program staff	2,912,285	37,267	96,513	3,046,065
Home office expenses	<u>329,367</u>	<u>244,948</u>	<u>36,180</u>	<u>610,495</u>
	<u>\$ 3,382,036</u>	<u>\$ 381,119</u>	<u>\$ 197,342</u>	<u>\$ 3,960,497</u>

RECLASSIFICATIONS

Certain information in the current year consolidated financial statements has been reclassified due to a re-assessment of permanently restricted fund agreements performed by management. These reclassifications pertain primarily to the classification of permanently and temporarily restricted net assets in the endowments (see Note 9).

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

3. INVESTMENTS:

Investments, at fair value, consist of:

	May 31,	
	2018	2017
Money market funds	\$ 354,705	\$ 350,577
Mutual funds	3,150,988	3,181,029
	<u>\$ 3,505,693</u>	<u>\$ 3,531,606</u>

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

	May 31,	
	2018	2017
Money market funds	\$ 35,046	\$ 36,305
Mutual funds	438,803	428,098
	<u>\$ 473,849</u>	<u>\$ 464,403</u>

Investment income consists of:

	Year ended May 31,	
	2018	2017
Interest and dividends	\$ 93,768	\$ 113,202
Realized gain on investments–net	1,340	143,974
Unrealized gain on investments–net	170,645	207,552
	<u>\$ 265,753</u>	<u>\$ 464,728</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

4. TRUST ASSETS, LIABILITIES, AND NET ASSETS:

	May 31,	
	2018	2017
Trust assets:		
Cash	\$ 3,823	\$ 3,829
Common stock, at fair value	93,752	84,316
	<u>\$ 97,575</u>	<u>\$ 88,145</u>
Trust liabilities and net assets:		
Trust liabilities:		
Charitable remainder trust	\$ 40,139	\$ 40,139
Trust net assets	57,436	48,006
	<u>\$ 97,575</u>	<u>\$ 88,145</u>

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	May 31,	
	2018	2017
Land	\$ 150,000	\$ 150,000
Land improvements	184,181	184,181
Building	438,577	438,577
Building improvements	390,111	371,723
Furniture and equipment	362,072	362,072
Computer equipment	608,943	594,741
	<u>2,133,884</u>	<u>2,101,294</u>
Less accumulated depreciation	(1,551,693)	(1,466,502)
	<u>\$ 582,191</u>	<u>\$ 634,792</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

6. LINE OF CREDIT PAYABLE:

Effective April 2018, the Organization has an available \$750,000 revolving working capital line of credit with a certain financial institution, subject to renewal in April 2019, and bearing interest at the financial institution's prime rate plus 25 basis points (5.25% at May 31, 2018). Borrowings under this line of credit are collateralized by certain real property owned by the Organization. Outstanding borrowings as of May 31, 2018 totaled \$375,000. As of June 2018 this line of credit had been paid in full.

7. NET ASSETS:

Net assets consist of:

	May 31,	
	2018	2017
Unrestricted:		
Undesignated	\$ 86,604	\$ 574,742
State required annuity reserves	2,001	2,565
Property and equipment	582,191	634,792
	<u>670,796</u>	<u>1,212,099</u>
Temporarily restricted:		
Cross-cultural workers	2,596,150	2,699,032
Projects	1,367,284	1,296,680
Beneficial interest in charitable remainder trust	57,436	48,006
Unexpended endowment earnings	199,662	-
President's Gathering pledges	613,003	739,877
	<u>4,833,535</u>	<u>4,783,595</u>
Permanently restricted:		
Beneficial interest in perpetual trust	2,033,809	1,996,442
Donor-restricted endowment funds	274,187	464,403
	<u>2,307,996</u>	<u>2,460,845</u>
	<u>\$ 7,812,327</u>	<u>\$ 8,456,539</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

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, 2018 and 2017, respectively.

May 31, 2018				
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 354,705	\$ 354,705	\$ -	\$ -
Mutual funds:				
International stock funds	406,260	406,260	-	-
Global stock funds	1,487,324	1,487,324	-	-
Bond funds	1,257,404	1,257,404	-	-
	<u>3,150,988</u>	<u>3,150,988</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	<u>\$ 3,505,693</u>	<u>\$ 3,505,693</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2018			
	Total	Level 1	Level 2	Level 3
Long-term investments:				
Money market funds	\$ 35,046	\$ 35,046	\$ -	\$ -
Mutual funds:				
U.S. stock funds	42,129	42,129	-	-
International stock funds	57,391	57,391	-	-
Global stock funds	206,496	206,496	-	-
Bond funds	132,787	132,787	-	-
	<u>438,803</u>	<u>438,803</u>	<u>-</u>	<u>-</u>
Total long-term investments, at fair value	<u>\$ 473,849</u>	<u>\$ 473,849</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust, at fair value	<u>\$ 2,033,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,033,809</u>
Trust assets:				
Common stocks:				
Industrial goods	\$ 4,609	\$ 4,609	\$ -	\$ -
Technology	19,748	19,748	-	-
Financial	14,070	14,070	-	-
Healthcare	9,670	9,670	-	-
Basic materials	5,206	5,206	-	-
Services	2,569	2,569	-	-
Consumer goods	17,031	17,031	-	-
Utilities	11,982	11,982	-	-
Entertainment	8,867	8,867	-	-
Total trust assets, at fair value	<u>\$ 93,752</u>	<u>\$ 93,752</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

8. FAIR VALUE MEASUREMENTS, continued:

	May 31, 2017			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 350,577	\$ 350,577	\$ -	\$ -
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	-	-
	<u>3,181,029</u>	<u>3,181,029</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	<u>\$ 3,531,606</u>	<u>\$ 3,531,606</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term investments:				
Money market funds	\$ 36,305	\$ 36,305	\$ -	\$ -
Mutual funds:				
U.S. stock funds	161,644	161,644	-	-
International stock funds	53,696	53,696	-	-
Bond funds	212,758	212,758	-	-
	<u>428,098</u>	<u>428,098</u>	<u>-</u>	<u>-</u>
Total long-term investments, at fair value	<u>\$ 464,403</u>	<u>\$ 464,403</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust, at fair value	<u>\$ 1,996,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,996,442</u>

(continued)

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

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	-	-
Total trust assets, at fair value	<u>\$ 84,316</u>	<u>\$ 84,316</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, 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.

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

	May 31,	
	2018	2017
Beginning balance	\$ 1,996,442	\$ 1,877,457
Contributions of beneficial interests	-	-
Distributions of beneficial interests	-	-
Change in value of beneficial interest in perpetual trust	37,367	118,985
Ending balance	<u>\$ 2,033,809</u>	<u>\$ 1,996,442</u>

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted funds	\$ -	\$ 199,662	\$ 274,187

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

9. ENDOWMENTS, continued:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -	\$ -	\$ 464,403
Investment return:			
Interest and dividends	-	-	10,540
Net losses (realized and unrealized)	-	-	(1,094)
	-	-	9,446
Reclassified with donor permission	-	199,662	(199,662)
Endowment net assets, end of year	\$ -	\$ 199,662	\$ 274,187

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

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

Changes in endowment net assets for the year ended May 31, 2017, is as follows:

	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
Reclassified with donor permission	-	-	(17,936)
Endowment net assets, end of year	\$ -	\$ -	\$ 464,403

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

9. ENDOWMENTS, continued:

	May 31,	
	2018	2017
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	\$ 274,187	\$ 464,403

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 for both of the years ended May 31, 2018 and 2017.

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.

TMS GLOBAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

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 dollar for dollar. 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, 2018 and 2017, was \$95,259 and \$103,500, respectively.

Employee Education Savings Plan:

The Organization has established an employee benefit program to assist in funding education for cross-cultural worker's 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 cross-cultural worker when set aside. Contributions by the Organization for the years ended May 31, 2018 and 2017, were \$24,615 and \$49,541, respectively.

11. LEASES:

The Organization leases office space and equipment under non-cancelable operating leases. Total rental expense under non-cancelable operating leases for the years ended May 31, 2018 and 2017, were \$81,785 and \$39,475, respectively.

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

<u>Years Ending May 31,</u>	<u>Amounts</u>
2019	\$ 90,838
2020	92,864
2021	83,290
2022	79,218
2023	75,987
	<u>\$ 422,197</u>

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 19, 2019, which represents the date the consolidated 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. and Subsidiaries
Norcross, Georgia

We have audited the consolidated financial statements of TMS Global, Inc. and Subsidiaries as of and for the years ended May 31, 2018 and 2017, and our report thereon dated May 19, 2019, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses (the Schedules) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The Schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Lawrenceville, Georgia
May 17, 2019

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Schedule of Functional Expenses

Year Ended May 31, 2018

	Program Services				Supporting Activities			
	Field		Church	Total	Management		Total	
	Cross-cultural		Resources	Program	and		Supporting	Total
	Workers	U.S. Based	Ministry	Services	General	Fund-raising	Activities	Expenses
	& Projects	Ministries						
Salaries—full-time	\$ 3,060,777	\$ 692,157	\$ 183,796	\$ 3,936,730	\$ 773,455	\$ 109,078	\$ 882,533	\$4,819,263
Salaries—temporaries	116,415	53,521	-	169,936	76,134	10,089	86,223	256,159
Benefits	745,029	136,903	31,578	913,510	186,989	24,282	211,271	1,124,781
Travel	579,894	218,278	27,980	826,152	62,717	20,330	83,047	909,199
Vehicle	164,918	10,059	5,457	180,434	8,673	2,914	11,587	192,021
Communications	73,241	6,649	7,053	86,943	102,250	25,679	127,929	214,872
Promotional, dues, and copies	1,436	2,437	388	4,261	33,882	504	34,386	38,647
Housing / Occupancy	23,449	2,150	-	25,599	41,910	-	41,910	67,509
Equipment	133,075	3,116	142	136,333	46,478	199	46,677	183,010
Depreciation	-	-	-	-	86,639	-	86,639	86,639
Other ministry expenses	821,811	55,032	4,437	881,280	57,063	126,298	183,361	1,064,641
Supplies	26,189	4,047	642	30,878	16,888	870	17,758	48,636
Professional services	9,518	77,066	3,760	90,344	236,602	57,873	294,475	384,819
Other and miscellaneous expenses	111,280	217	65	111,562	44,039	944	44,983	156,545
Education and training expense	106,414	-	47	106,461	-	799	799	107,260
Seconded ministries expense	150,269	-	-	150,269	-	-	-	150,269
Interest expense	-	-	-	-	14,177	-	14,177	14,177
Internal allocations and transfers	(35,482)	323,871	79,169	367,558	(597,560)	230,002	(367,558)	-
Total Expenses	<u>\$ 6,088,233</u>	<u>\$1,585,503</u>	<u>\$ 344,514</u>	<u>\$ 8,018,250</u>	<u>\$1,190,336</u>	<u>\$ 609,861</u>	<u>\$1,800,197</u>	<u>\$9,818,447</u>

See independent auditors' report on supplementary information.

TMS GLOBAL, INC. AND SUBSIDIARIES

Consolidated Schedule of Functional Expenses

Year Ended May 31, 2017

	Program Services				Supporting Activities			
	Field		Church	Total	Management		Total	
	Cross-cultural	U.S. Based	Resources	Program	and	Fund-raising	Supporting	Total
	Workers	Ministries	Ministry	Services	General		Activities	Expenses
	& Projects							
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	128,683	157,298	285,981	1,241,243
Supplies	18,392	4,631	1,321	24,344	17,077	3,166	20,243	44,587
Professional services	4,083	78,227	254	82,564	285,614	31,018	316,632	399,196
Other and miscellaneous expenses	27,185	1,497	-	28,682	13,962	268	14,230	42,912
Education and training expense	120,606	-	-	120,606	-	-	-	120,606
Seconded ministries expense	162,790	-	-	162,790	-	-	-	162,790
Interest expense	-	-	-	-	7,983	-	7,983	7,983
Internal allocations and transfers	110,851	180,900	44,220	335,971	(533,313)	197,342	(335,971)	-
Total Expenses	<u>\$ 6,205,333</u>	<u>\$1,352,686</u>	<u>\$ 383,664</u>	<u>\$ 7,941,683</u>	<u>\$1,294,031</u>	<u>\$ 756,598</u>	<u>\$2,050,629</u>	<u>\$9,992,312</u>

See independent auditors' report on supplementary information.