TMS Global, Inc. and Subsidiaries

Consolidated Financial Statements

May 31, 2023 and 2022

TMS Global, Inc. and Subsidiaries

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TMS Global, Inc. and Subsidiaries

Opinion
We have audited the accompanying consolidated financial statements of TMS Global, Inc. and Subsidiaries, a Georgia corporation (the Organization), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TMS Global, Inc. and Subsidiaries as of May 31, 2023 and 2022, and the results of their activities and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Windham Brannon, LLC

November 3, 2023

TMS Global, Inc. and Subsidiaries

Consolidated Statements of Financial Position
May 31, 2023 and 2022

		2023		2022
Assets				
Cash and cash equivalents	**$**	**52,233**	$	422,201
Employee Retention Credit receivable		**2,227,354**		-
Other assets		**50,636**		115,250
Investments		**3,253,839**		4,860,300
Trust assets		**130,032**		135,280
Property and equipment, net		**429,475**		443,173
Long-term investments		**451,168**		519,456
Beneficial interest in perpetual trust		**2,001,204**		2,087,057
Total assets	**$**	**8,595,941**	$	8,582,717
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**142,601**	$	132,791
Annuities payable		**35,942**		42,910
Trust liabilities		**33,562**		36,053
Total liabilities		**212,105**		211,754
Net assets				
Without donor restrictions		**2,217,081**		1,415,183
With donor restrictions:				
Restricted for purpose or time		**3,771,509**		4,471,448
Restricted in perpetuity		**2,395,246**		2,484,332
Total net assets		**8,383,836**		8,370,963
Total liabilities and net assets	**$**	**8,595,941**	$	8,582,717

TMS Global, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended May 31, 2023 and 2022

	2023				2022			
	Without Donor Restrictions	With Donor Restrictions For Purpose Or Time	With Donor Restrictions In Perpetuity	Total	Without Donor Restrictions	With Donor Restrictions For Purpose Or Time	With Donor Restrictions In Perpetuity	Total
Support and revenue								
Support:								
Contributions	**$ 1,301,497**	**$ 6,956,493**	**$ -**	**$ 8,257,990**	$ 1,692,490	$ 7,317,843	$ -	$ 9,010,333
Gift-in-kind contributions	**185,949**	**24,862**	**-**	**210,811**	63,178	141,925	-	205,103
Total support	**1,487,446**	**6,981,355**	**-**	**8,468,801**	1,755,668	7,459,768	-	9,215,436
Revenue:								
Fee income	**4,350**	**-**	**-**	**4,350**	14,066	-	-	14,066
Investment income (loss)	**184,115**	**(51,517)**	**-**	**132,598**	(167,884)	(71,461)	-	(239,345)
Change in value of annuities and trusts	**(1,176)**	**(2,757)**	**(85,853)**	**(89,786)**	341	(1,042)	(243,641)	(244,342)
Net gain from Employee Retention Credit	**2,227,354**	**-**	**-**	**2,227,354**	-	-	-	-
Other income	**97,689**	**-**	**-**	**97,689**	38,621	-	-	38,621
Total revenue (loss)	**2,512,332**	**(54,274)**	**(85,853)**	**2,372,205**	(114,856)	(72,503)	(243,641)	(431,000)
Total support and revenue	**3,999,778**	**6,927,081**	**(85,853)**	**10,841,006**	1,640,812	7,387,265	(243,641)	8,784,436
Reclassifications								
Net assets released from restriction:								
Satisfaction of purpose restrictions	**6,740,855**	**(6,740,855)**	**-**	**-**	6,610,895	(6,610,895)	-	-
Reclassified with donor permission	**-**	**3,233**	**(3,233)**	**-**	-	3,265	(3,265)	-
Administrative assessments	**889,398**	**(889,398)**	**-**	**-**	913,930	(913,930)	-	-
Total reclassifications	**7,630,253**	**(7,627,020)**	**(3,233)**	**-**	7,524,825	(7,521,560)	(3,265)	-

(Continued)

TMS Global, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended May 31, 2023 and 2022

	2023				2022			
	Without Donor Restrictions	**With Donor Restrictions For Purpose Or Time**	**With Donor Restrictions In Perpetuity**	**Total**	Without Donor Restrictions	With Donor Restrictions For Purpose Or Time	With Donor Restrictions In Perpetuity	Total
Expenses								
Program services:								
Field cross-cultural workers and projects	**6,843,885**	**-**	**-**	**6,843,885**	6,729,583	-	-	6,729,583
U.S. based ministries	**1,196,555**	**-**	**-**	**1,196,555**	1,221,887	-	-	1,221,887
Church resources ministry	**196,567**	**-**	**-**	**196,567**	227,279	-	-	227,279
Total program services	**8,237,007**	**-**	**-**	**8,237,007**	8,178,749	-	-	8,178,749
Supporting activities:								
Management and general	**2,093,454**	**-**	**-**	**2,093,454**	1,958,686	-	-	1,958,686
Fundraising	**497,672**	**-**	**-**	**497,672**	482,155	-	-	482,155
Total supporting activities	**2,591,126**	**-**	**-**	**2,591,126**	2,440,841	-	-	2,440,841
Total expenses	**10,828,133**	**-**	**-**	**10,828,133**	10,619,590	-	-	10,619,590
Change in net assets	**801,898**	**(699,939)**	**(89,086)**	**12,873**	(1,453,953)	(134,295)	(246,906)	(1,835,154)
Net assets, beginning of year	**1,415,183**	**4,471,448**	**2,484,332**	**8,370,963**	2,869,136	4,605,743	2,731,238	10,206,117
Net assets, end of year	**$ 2,217,081**	**$ 3,771,509**	**$ 2,395,246**	**$ 8,383,836**	$ 1,415,183	$ 4,471,448	$ 2,484,332	$ 8,370,963

TMS Global, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
For the Year Ended May 31, 2023

	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	$ 3,533,236	$ 592,028	$ 94,064	$ 4,219,328	$ 910,377	$ 255,880	$ 1,166,257	$ 5,385,585
Salaries-temporary	77,708	500	-	78,208	534	534	1,068	79,276
Employee benefits	922,861	104,597	5,481	1,032,939	233,989	55,312	289,301	1,322,240
Travel & conferences	662,683	144,775	54,645	862,103	127,404	24,651	152,055	1,014,158
Vehicles	169,032	6,182	4,046	179,260	14,294	7,066	21,360	200,620
Communications	92,780	6,747	3,114	102,641	25,392	16,370	41,762	144,403
Promotional, dues, & copies	2,450	3,122	380	5,952	3,972	267	4,239	10,191
Housing & occupancy	10,763	8,848	2,163	21,774	30,249	1,857	32,106	53,880
Repairs & maintenance	91,444	8,406	1,697	101,547	84,401	3,466	87,867	189,414
Depreciation	-	26,521	6,483	33,004	20,627	5,304	25,931	58,935
Project & direct support	1,043,993	103,573	13,864	1,161,430	125,652	90,013	215,665	1,377,095
Supplies	27,895	5,431	1,121	34,447	4,713	1,910	6,623	41,070
Consulting & professional services	36,565	163,699	8,493	208,757	367,488	33,128	400,616	609,373
Other expenses	172,475	22,126	1,016	195,617	140,675	1,914	142,589	338,206
Interest expense	-	-	-	-	3,687	-	3,687	3,687
Total expenses	**$ 6,843,885**	**$ 1,196,555**	**$ 196,567**	**$ 8,237,007**	**$ 2,093,454**	**$ 497,672**	**$ 2,591,126**	**$ 10,828,133**

(Continued)

TMS Global, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

For the Year Ended May 31, 2022

	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	$ 3,196,726	$ 604,511	$ 133,450	$ 3,934,687	$ 929,810	$ 243,399	$ 1,173,209	$ 5,107,896
Salaries-temporary	106,106	52,231	-	158,337	641	641	1,282	159,619
Employee benefits	837,317	120,228	10,927	968,472	252,045	47,068	299,113	1,267,585
Travel & conferences	631,803	120,616	52,846	805,265	85,902	24,410	110,312	915,577
Vehicles	184,686	10,579	3,660	198,925	9,834	5,393	15,227	214,152
Communications	78,159	10,615	5,257	94,031	22,998	15,869	38,867	132,898
Promotional, dues, & copies	1,733	8,171	344	10,248	19,285	419	19,704	29,952
Housing & occupancy	19,715	8,946	2,187	30,848	15,633	1,914	17,547	48,395
Repairs & maintenance	129,283	16,118	3,621	149,022	66,800	5,335	72,135	221,157
Depreciation	-	21,186	5,179	26,365	16,478	4,237	20,715	47,080
Project & direct support	1,234,007	123,365	5,923	1,363,295	75,472	97,424	172,896	1,536,191
Supplies	50,357	4,625	888	55,870	9,073	1,564	10,637	66,507
Consulting & professional services	14,917	112,614	2,025	129,556	349,603	32,520	382,123	511,679
Other expenses	244,774	8,082	972	253,828	105,112	1,962	107,074	360,902
Total expenses	**$ 6,729,583**	**$ 1,221,887**	**$ 227,279**	**$ 8,178,749**	**$ 1,958,686**	**$ 482,155**	**$ 2,440,841**	**$ 10,619,590**

The accompanying notes are an integral part of these consolidated financial statements.

TMS Global, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the Years Ended May 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	**$ 12,873**	$ (1,835,154)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**58,935**	47,080
Net gain from Employee Retention Credit	**(2,227,354)**	-
Realized/unrealized losses on investments	**101,191**	481,481
Payments on annuities	**8,346**	10,422
Trust distributions	**(1,315)**	(1,091)
Change in value of beneficial interest in perpetual trust	**85,853**	243,641
Actuarial change in charitable gift annuities and trusts	**(1,176)**	341
Changes in operating assets and liabilities:		
Other assets	**64,614**	140,864
Accounts payable and accrued expenses	**2,842**	85,534
Net cash used in operating activities	**(1,895,191)**	(826,882)
Cash flows from investing activities		
Proceeds from sales of investments	**1,678,226**	445,746
Purchases of investments	**(99,420)**	(453,000)
Purchases of property and equipment	**(45,237)**	(51,509)
Net cash provided (used) by investing activities	**1,533,569**	(58,763)
Cash flows from financing activities		
Payments on annuities	**(8,346)**	(10,422)
Net cash used in financing activities	**(8,346)**	(10,422)
Net change in cash and cash equivalents	**(369,968)**	(896,067)
Cash and cash equivalents, beginning of year	**422,201**	1,318,268
Cash and cash equivalents, end of year	**$ 52,233**	$ 422,201
Supplemental disclosures		
Cash paid for interest	**$ 3,687**	$ -
Non-cash operating activities		
Non-cash contributions of securities	**$ 210,811**	$ 205,103

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Business

TMS Global, Inc. and Subsidiaries (the Organization) is the consolidated financial reporting entity for TMS Global, Inc. (TMS Global) and its subsidiaries, Mission Society Foundation, Inc. (the 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 the Organization 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 140 cross-cultural workers presently serve in approximately 28 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 Missio Nexus.

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 of America, 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 of America (GAAP). 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-organization balances and transactions have been eliminated in consolidation.

Adoption of ASC 842, *Leases*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities within a lessee entity's consolidated financial statements. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Leases are classified as finance or operating, with classification affecting both the pattern and classification of expense recognition.

On June 1, 2022, the Organization adopted ASC 842, using the modified retrospective transition method, and recognized and measured existing leases on the consolidated statement of financial position without making adjustments to prior period balances or presentation. In connection with the adoption, the Organization applied certain practical expedients available to not-for-profit companies.

Upon adoption, the Organization elected the practical expedients in transition, which permits the Organization to not reassess their prior conclusions pertaining to lease identification, lease classification, and initial direct costs on leases commenced prior to the adoption of the new standard. The Organization also elected the ongoing practical expedient to not recognize operating lease ROU assets and operating lease liabilities related to short-term leases. The Organization has not elected the practical expedient available to combine lease and non-lease components (i.e. - maintenance) into a single component for all asset classes. The contract consideration of non-lease components, if any, is allocated on a relative standalone price basis.

The Organization any has adopted a policy to use a rate which approximates the risk-free rate for a period comparable to the lease term in the measurement of the related lease liability when there is no interest rate disclosed or implicit within the lease agreement. As the risk-free rate is typically lower than an incremental borrowing rate for a specific entity, its use will result in the recognition of a higher lease liability and right-of-use asset. There was no significant impact to the consolidated financial statements as a result of the adoption of ASC 842.

As permitted under ASC 842, the Organization has adopted an accounting policy to forgo applying the requirements for recognition of ROU assets and lease liabilities for immaterial leases. Immaterial leases are those whose ROU assets and related lease liabilities are determined to be immaterial to the financial statements overall, individually and in the aggregate. The Organization has deemed all leases to be immaterial leases as defined in ASC 842.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP 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.

Employee Retention Credit Receivable

Management has determined that the Employee Retention Credit (ERC) should be accounted for as a conditional contribution in accordance with ASC 958-605, *Revenue Recognition*. Under the provisions of ASC 958-605, a receivable is recognized for a conditional contribution when conditions for the contribution are substantially met (Note 11).

Contributions Receivable

The Organization does not accept or record pledges. 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, 2023 and 2022, were estimated to be $337,664 and $501,624, respectively.

Other Assets

Other assets consist of advances to cross-cultural workers in the field and due upon completion of term services, prepaid insurance and rent. At May 31, 2023 and 2022, 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 and changes in net assets 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.

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 workers, which are expensed when purchased from cross-cultural worker support accounts. When sold, proceeds are returned to cross-cultural worker support accounts. Additionally, all computer equipment, regardless of cost, is capitalized.

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 life income 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 contributions. 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, 2023 and 2022.

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 and changes in net assets as reclassifications.

The Organization reports gifts of property 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.

Expenses are recorded when incurred in accordance with GAAP. The consolidated statements of activities and changes in net assets 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 and are shown on the consolidated statements of functional expenses. 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:

	Program	General and Administrative	Fundraising	Total
Year ended May 31, 2023:				
Cost of informational materials and activities	$ 154,112	$ 123,289	$ 30,822	$ 308,224
Salaries and expenses of cross-cultural workers and program staff	3,326,901	33,948	33,948	3,394,797
Home office expenses	281,015	238,683	18,142	537,840
	$ 3,762,028	**$ 395,920**	**$ 82,913**	**$ 4,240,861**
Year ended May 31, 2022:				
Cost of informational materials and activities	$ 132,605	$ 106,084	$ 26,521	$ 265,210
Salaries and expenses of cross-cultural workers and program staff	2,968,539	30,291	30,291	3,029,121
Home office expenses	329,510	283,529	19,706	632,745
	$ 3,430,654	$ 419,904	$ 76,518	$ 3,927,076

Income Taxes

The Organization is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization is not required by the Internal Revenue Service to file a Form 990 because it is exempt from filing as a missionary society, as the Organization is affiliated with one or more churches and more than 50% of its activities are conducted overseas.

3. Liquidity and Funds Available

The following reflects the Organization's financial assets as of May 31, 2023 and 2022, 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.

	2023	2022
Financial assets:		
Cash and cash equivalents	**$ 52,233**	$ 422,201
Employee retention credit receivable	**2,227,354**	-
Accounts receivable	**38,867**	95,890
Investments	**3,253,839**	4,860,300
Trust assets	**130,032**	135,280
Long-term investments	**451,168**	519,456
Beneficial interest in perpetual trust	**2,001,204**	2,087,057
Financial assets, at year-end	**8,154,697**	8,120,184
Less those unavailable for general expenditures within one year:		
Investments held for trust	**(130,032)**	(135,280)
Endowment funds-held in perpetuity	**(394,042)**	(397,275)
Accumulated endowment earnings not expected to be appropriated	**(57,127)**	(122,182)
Beneficial interest in perpetual trust	**(2,001,204)**	(2,087,057)
	(2,582,405)	(2,741,794)
Financial assets available to meet cash needs for general expenditures within one year	**$ 5,572,292**	$ 5,378,390

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, 2023 and 2022, the Organization had $3,771,509 and $4,471,448, respectively, 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.

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 March 2024, and bearing interest at the financial institution's prime rate plus 25 basis points (8.28% and 4.03% at May 31, 2023 and 2022, respectively). 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, 2023 and 2022.

4. Trust Assets, Liabilities, and Net Assets

Trust assets, liabilities, and net assets consisted of the following at May 31, 2023 and 2022:

		2023		2022
Trust assets				
Cash	**$**	**12,506**	$	7,190
Common stock, at fair value		**117,526**		128,090
Total trust assets	**$**	**130,032**	$	135,280
Trust liabilities and net assets				
Trust liabilities:				
Charitable remainder trust	**$**	**33,562**	$	36,803
Trust net assets		**96,469**		99,227
Total trust liabilities and net assets	**$**	**130,031**	$	136,030

5. Property and Equipment, Net

Property and equipment, net consisted of the following at May 31, 2023 and 2022:

		2023		2022
Land	**$**	**150,000**	$	150,000
Land improvements		**184,181**		184,181
Building		**438,577**		438,577
Building improvements		**436,903**		413,507
Furniture and equipment		**436,037**		419,307
Computer equipment		**638,849**		633,737
		2,284,547		2,239,309
Less accumulated depreciation		**(1,855,072)**		(1,796,136)
Total property and equipment, net	**$**	**429,475**	$	443,173

6. Net Assets

Net assets consisted of the following at May 31, 2023 and 2022:

	2023	2022
Without donor restrictions		
Undesignated	$ **1,787,309**	$ 971,301
State required annuity reserves	**297**	709
Investment in property and equipment	**429,475**	443,173
Total without donor restrictions	**2,217,081**	1,415,183
With donor restrictions		
Restricted by time or purpose:		
Projects:		
Cross-cultural workers	**2,901,291**	3,263,452
Projects	**716,623**	985,797
Total projects	**3,617,914**	4,249,249
Other:		
Beneficial interest in charitable remainder trust	**96,469**	99,227
Unexpended endowment earnings	**57,126**	122,972
Total other	**153,595**	222,199
Total restricted by time or purpose	**3,771,509**	4,471,448
Restricted in perpetuity:		
Beneficial interest in perpetual trust	**2,001,204**	2,087,057
Donor-restricted endowment funds	**394,042**	397,275
Total restricted in perpetuity	**2,395,246**	2,484,332
Total with donor restrictions	**6,166,755**	6,955,780
Total net assets	$ **8,383,836**	$ 8,370,963

7. Fair Value Measurements

Investments are exposed to various risks, such as market, currency, interest rate, and credit risks. Market risks include U.S. and global events which could impact the value of investments held by the Organization. Such events would include healthcare crises, such as a pandemic, international conflicts, supply chain disruptions, global monetary policy decisions, significant external economic influences, and significant cybersecurity attacks, among others. It is at least reasonably possible that changes in the fair value of the Organization's investments will occur in the near term and that such changes could materially affect the investment balances.

The Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification established 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 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, 2023 and 2022, respectively.

	May 31, 2023			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Money market funds	**$ 161,998**	**$ -**	**$ -**	**$ 161,998**
Mutual funds:				
Global stock funds	**1,929,860**	**-**	**-**	**1,929,860**
Bond funds	**1,161,981**	**-**	**-**	**1,161,981**
Total mutual funds	**$ 3,091,841**	**$ -**	**$ -**	**$ 3,091,841**
Total investments, at fair value	**$ 3,253,839**	**$ -**	**$ -**	**$ 3,253,839**

	Level 1	Level 2	Level 3	Total
Long-term investments, at fair value				
Money market funds	$ **45,944**	$ **-**	$ **-**	$ **45,944**
Mutual funds:				
Global stock funds	**296,555**	**-**	**-**	**296,555**
Bond funds	**108,669**	**-**	**-**	**108,669**
Total mutual funds	$ **405,224**	$ **-**	$ **-**	$ **405,224**
Total long-term investments, at fair value	$ **451,168**	$ **-**	$ **-**	$ **451,168**

	May 31, 2023			
	Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trust, at fair value	$ **-**	$ **-**	$ **2,001,204**	$ **2,001,204**
Trust assets, at fair value				
Common stocks	$ **117,526**	$ **-**	$ **-**	$ **117,526**
Total trust assets, at fair value	$ **117,526**	$ **-**	$ **-**	$ **117,526**

	May 31, 2022			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Mutual funds:				
Global stock funds	**$ 3,304,669**	**$ -**	**$ -**	**$ 3,304,669**
Bond funds	**1,555,631**	**-**	**-**	**1,555,631**
Total investments, at fair value	**$ 4,860,300**	**$ -**	**$ -**	**$ 4,860,300**

	Level 1	Level 2	Level 3	Total
Long-term investments, at fair value				
Mutual funds:				
Global stock funds	**$ 352,811**	**$ -**	**$ -**	**$ 352,811**
Bond funds	**166,645**	**-**	**-**	**166,645**
Total long-term investments, at fair value	**$ 519,456**	**$ -**	**$ -**	**$ 519,456**

	May 31, 2022			
	Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trust, at fair value	**$ -**	**$ -**	**$ 2,087,057**	**$ 2,087,057**
Trust assets, at fair value				
Common stocks	**$ 128,090**	**$ -**	**$ -**	**$ 128,090**
Total trust assets, at fair value	**$ 128,090**	**$ -**	**$ -**	**$ 128,090**

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 and are considered Level 1. The fair value of the beneficial interest in perpetual trusts is based upon the related assets, including mutual funds, corporate bonds, and marketable securities. The Organization considers the measurement of its beneficial interest in perpetual trust to be a Level 3 measurement within the fair value hierarchy because even though the measurement is based on the fair values of the trust assets reported by the trustee, the Organization does not expect to receive those assets or have the ability to direct the trustee to redeem them.

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

	2023	2022
Beginning balance	**$ 2,087,057**	$ 2,330,698
Contributions of beneficial interests	**-**	-
Distributions of beneficial interests	**-**	-
Change in value of beneficial interest in perpetual trust	**(85,853)**	(243,641)
Ending balance	**$ 2,001,204**	$ 2,087,057

8. 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

Endowment net asset composition by type of fund as of May 31, 2023 and changes in endowment net assets for the year then ended:

	Without Donor Restrictions	With Donor Restrictions: Original gift amount	With Donor Restrictions: Accumulated Gains (Losses) and Other	With Donor Restrictions: Total with Donor Restrictions	Total Funds
Endowment net assets, June 1, 2022	**$ -**	**$ 397,275**	**$ 122,972**	**$ 520,247**	**$ 520,247**
Investment return (loss), net	**-**	**-**	**(51,517)**	**(51,517)**	**(51,517)**
Transfers	**-**	**(3,233)**	**3,233**	**-**	**-**
Endowment net assets, May 31, 2023	**$ -**	**$ 394,042**	**$ 74,688**	**$ 468,730**	**$ 468,730**

Endowment net asset composition by type of fund as of May 31, 2022 and changes in endowment net assets for the year then ended:

	Without Donor Restrictions	With Donor Restrictions: Original Gift Amount	With Donor Restrictions: Accumulated Gains (Losses) and Other	With Donor Restrictions: Total with Donor Restrictions	Total Funds
Endowment net assets, June 1, 2021	$ -	$ 400,540	$ 191,168	$ 591,708	$ 591,708
Investment return (loss), net	-	-	(71,461)	(71,461)	(71,461)
Transfers	-	(3,265)	3,265	-	-
Endowment net assets, May 31, 2022	$ -	$ 397,275	$ 122,972	$ 520,247	$ 520,247

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, 2023 and 2022.

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.

9. Employee Benefit Plans

Retirement 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. Employer matching contributions funded by the Organization for the years ended May 31, 2023 and 2022, were $110,819 and $90,698, 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, 2023 and 2022.

10. Leases

The Organization leases two pieces of office equipment under non-cancelable operating leases. The terms of these operating leases extend through March 2025 and August 2025, respectively. Management has determined that both of these leases are immaterial leases, as described in Note 2. Accordingly, there were no ROU assets or lease liabilities recorded for these leases on the accompanying consolidated statement of financial position as of May 31, 2023 or as of the initial adoption date of ASC 842, June 1, 2022. Total rent expense under these immaterial leases for the years ended May 31, 2023 and 2022, was $7,680 and $8,351, respectively.

11. Employee Retention Credit

The Employee Retention Credit (ERC) was enacted as part of the CARES Act during 2020, but was not initially available to Paycheck Protection Program (PPP) borrowers, which excluded the Organization from applying for this credit initially. Congress retroactively made the ERC available to eligible employers who received a PPP loan in 2020 and extended ERC benefits to December 31, 2021. The ERC, which provides an incentive to eligible employers who retained their employees during periods affected by the COVID-19 pandemic, is a refundable credit claimed on the employment tax Form 941. Two critical tests for eligibility exist – a partial or total government-ordered shutdown, or a decline in gross receipts. The decline in gross receipts test is based on a “significant” decline in gross receipts in quarters of 2020 (more than 50%) and 2021 (more than 20%) compared with the same quarters in 2019.

During the year ended May 31, 2023, the Organization applied for ERC’s of $2,029,242 related to qualifying quarters in 2020 and 2021. At May 31, 2023, $2,227,354 is included as an Employee Retention Credit receivable on the consolidated statement of financial position for amounts expected to be received under the ERC program, which includes interest of $198,112. The total expected refund of $2,227,354 is included in net gain from Employee Retention Credit on the consolidated statement of activities and changes in net assets for the year ended May 31, 2023. Management believes there is reasonable assurance that the Organization has met the requirements to be eligible for the ERC in 2021 and 2020. These credits are subject to review and approval by the government and may change upon examination. Subsequent to May 31, 2023, the entirety of the ERC receivable balance was received by the Organization.

As discussed in Note 2, management believes that the Organization has substantially met the requirement to be eligible for the ERC in 2020 and 2021. Under ASC 958-605, this conditional contribution is recognized as revenue as the related conditions are met.

Generally, the Internal Revenue Service (IRS) has a three-to-five-year statute of limitations, from the date filed, for any ERC claims. A successful challenge of the Organization's eligibility for the ERC by the IRS could result in the repayment of the ERC funds received as well as payment of additional tax, interest, and penalties. The Organization could also incur significant expenses to defend its position, including but not limited to the payment of attorneys' fees, court costs, accountant fees, and other expenses contesting deficiencies asserted by the IRS.

12. Concentrations

Contributions from four households amounts to approximately 30% and 34% of unrestricted contributions received by the Organization during the years ended May 31, 2023 and 2022, respectively.

13. Subsequent Events

Subsequent events have been evaluated through November 3, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.