



Financial Statements  
For the Years Ended May 31, 2021 and 2020

**The Gideons International**  
Financial Statements  
For the Years Ended May 31, 2021 and 2020

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## Independent Auditor's Report

International Finance Committee  
The Gideons International

### Report on the Financial Statements

We have audited the accompanying financial statements of The Gideons International (the Organization), which comprise the statements of financial position as of May 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Gideons International as of May 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
July 8, 2021

**The Gideons International**  
**Statements of Financial Position**  
**May 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 90,108,055	\$ 38,696,751
Short-term operating investments	16,152,994	13,739,929
Other assets	12,596,730	11,020,289
Property and equipment, net	6,432,242	6,055,523
Assets held for long-term purposes	30,651,688	26,265,649
Total assets	<b>\$ 155,941,709</b>	<b>\$ 95,778,141</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 7,002,447	\$ 6,841,093
Employee benefit obligations	2,107,701	2,266,161
Annuities and trusts payable	13,517,048	12,150,005
Total liabilities	22,627,196	21,257,259
Net assets		
Without donor restrictions	61,703,049	48,630,705
With donor restrictions	71,611,464	25,890,177
Total net assets	133,314,513	74,520,882
Total liabilities and net assets	<b>\$ 155,941,709</b>	<b>\$ 95,778,141</b>

**The Gideons International**  
Statement of Activities  
For the Year Ended May 31, 2021

	Without donor restrictions	With donor restrictions	Total
<b>Operating Support and Revenues</b>			
Contributions			
General support	\$ 15,649,248	\$ -	\$ 15,649,248
Endowment	-	6,109	6,109
Scriptures	23,640,520	44,992,442	68,632,962
Held at state and local level	5,237,289	-	5,237,289
International, net of \$15,682,065 for use at the National Association level	8,542,391	-	8,542,391
	<u>53,069,448</u>	<u>44,998,551</u>	<u>98,067,999</u>
Revenues			
Dues income	4,996,623	-	4,996,623
Investment income	4,605,407	448,724	5,054,131
Merchandise sales, net of \$336,539 for purchases made at the state and local level	1,569,739	-	1,569,739
Other income	1,273,571	-	1,273,571
	<u>12,445,340</u>	<u>448,724</u>	<u>12,894,064</u>
 Satisfaction of purpose restrictions	 <u>93,291</u>	 <u>(93,291)</u>	 <u>-</u>
Total operating support and revenues	65,608,079	45,353,984	110,962,063
 <b>Operating Expenses</b>			
Program services			
Scripture purchases and distributions	33,182,337	-	33,182,337
Membership support and development	10,157,322	-	10,157,322
State and local	4,711,849	-	4,711,849
	<u>48,051,508</u>	<u>-</u>	<u>48,051,508</u>
Supporting services			
Management and general	3,373,800	-	3,373,800
Fundraising	3,579,912	-	3,579,912
Total operating expenses	<u>55,005,220</u>	<u>-</u>	<u>55,005,220</u>
 Change in net assets from operations	 10,602,859	 45,353,984	 55,956,843
 <b>Nonoperating Activities</b>			
Actuarial adjustment on annuity obligations and payments to donors	2,561,365	367,303	2,928,668
Nonqualified pension plan expense	(91,880)	-	(91,880)
Total nonoperating activities	<u>2,469,485</u>	<u>367,303</u>	<u>2,836,788</u>
 Change in net assets	 13,072,344	 45,721,287	 58,793,631
 Net assets, beginning of year	 <u>48,630,705</u>	 <u>25,890,177</u>	 <u>74,520,882</u>
Net assets, end of year	<b>\$ 61,703,049</b>	<b>\$ 71,611,464</b>	<b>\$133,314,513</b>

**The Gideons International**  
Statement of Activities  
For the Year Ended May 31, 2020

	Without donor restrictions	With donor restrictions	Total
<b>Operating Support and Revenues</b>			
Contributions			
General support	\$ 14,348,730	\$ -	\$ 14,348,730
Endowment	-	17,774	17,774
Scriptures	67,414,575	1,921,920	69,336,495
Held at state and local level	7,349,796	-	7,349,796
International, net of \$16,811,761 for use at the National Association level	9,347,735	-	9,347,735
	<u>98,460,836</u>	<u>1,939,694</u>	<u>100,400,530</u>
Revenues			
Dues income	5,332,770	-	5,332,770
Investment income	1,514,342	167,776	1,682,118
Merchandise sales, net of \$766,951 for purchases made at the state and local level	1,802,850	-	1,802,850
Other income	114,613	-	114,613
	<u>8,764,575</u>	<u>167,776</u>	<u>8,932,351</u>
 Satisfaction of purpose restrictions	 316,469	 (316,469)	 -
Total operating support and revenues	107,541,880	1,791,001	109,332,881
 <b>Operating Expenses</b>			
Program services			
Scripture purchases and distributions	77,745,192	-	77,745,192
Membership support and development	11,381,301	-	11,381,301
State and local	8,969,469	-	8,969,469
	<u>98,095,962</u>	<u>-</u>	<u>98,095,962</u>
Supporting services			
Management and general	3,882,625	-	3,882,625
Fundraising	3,431,074	-	3,431,074
Total operating expenses	<u>105,409,661</u>	<u>-</u>	<u>105,409,661</u>
 Change in net assets from operations	 2,132,219	 1,791,001	 3,923,220
 <b>Nonoperating Activities</b>			
Actuarial adjustment on annuity obligations and payments to donors	(237,521)	27,650	(209,871)
Nonqualified pension plan expense	(96,042)	-	(96,042)
Total nonoperating activities	<u>(333,563)</u>	<u>27,650</u>	<u>(305,913)</u>
 Change in net assets	 1,798,656	 1,818,651	 3,617,307
Net assets, beginning of year	46,832,049	24,071,526	70,903,575
Net assets, end of year	<u>\$ 48,630,705</u>	<u>\$ 25,890,177</u>	<u>\$ 74,520,882</u>

**The Gideons International**  
Statement of Functional Expenses  
For the Year Ended May 31, 2021

	Program services				Supporting services			
	Scripture purchases and distributions	Membership support and development	State and local	Total program services	Management and general	Fundraising	Total supporting service	Total expenses
Salaries and related benefits	\$ 4,443,485	\$ 5,116,862	\$ -	\$ 9,560,347	\$ 708,635	\$ 2,079,888	\$ 2,788,523	\$ 12,348,870
Scripture procurement and logistics	24,116,667	-	-	24,116,667	-	-	-	24,116,667
Contract and field services	2,527,063	1,125,277	-	3,652,340	526,456	716,687	1,243,143	4,895,483
Cost of goods sold	-	1,729,046	-	1,729,046	-	-	-	1,729,046
Depreciation	-	-	-	-	662,146	-	662,146	662,146
Grant expense	-	127,755	-	127,755	-	-	-	127,755
Office expense	130,489	699,318	235,592	1,065,399	443,979	11,038	455,017	1,520,416
Printing, postage, and video production	92,650	896,704	1,177,963	2,167,317	110,377	672,625	783,002	2,950,319
Professional and legal services	-	-	-	-	252,430	-	252,430	252,430
Repairs and maintenance	-	47,029	-	47,029	193,547	30,367	223,914	270,943
Training and education	119,588	8,366	235,592	363,546	56,245	5,951	62,196	425,742
Travel and meetings	1,662,843	164,715	3,062,702	4,890,260	123,612	57,481	181,093	5,071,353
Utilities and insurance	89,552	242,250	-	331,802	296,373	5,875	302,248	634,050
	<b>\$ 33,182,337</b>	<b>\$ 10,157,322</b>	<b>\$ 4,711,849</b>	<b>\$ 48,051,508</b>	<b>\$ 3,373,800</b>	<b>\$ 3,579,912</b>	<b>\$ 6,953,712</b>	<b>\$ 55,005,220</b>

See notes to financial statements

**The Gideons International**  
Statement of Functional Expenses  
For the Year Ended May 31, 2020

	<b>Program services</b>				<b>Supporting services</b>			
	<b>Scripture purchases and distributions</b>	<b>Membership support and development</b>	<b>State and local</b>	<b>Total program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total supporting service</b>	<b>Total expenses</b>
Salaries and related benefits	\$ 3,978,064	\$ 4,731,035	\$ -	\$ 8,709,099	\$ 726,191	\$ 1,861,985	\$ 2,588,176	\$ 11,297,275
Scripture procurement and logistics	67,604,148	-	-	67,604,148	-	-	-	67,604,148
Contract and field services	2,233,863	813,503	-	3,047,366	527,189	663,078	1,190,267	4,237,633
Cost of goods sold	-	2,387,317	-	2,387,317	-	-	-	2,387,317
Depreciation	-	-	-	-	590,515	-	590,515	590,515
Grant expense	-	116,235	-	116,235	-	-	-	116,235
Office expense	84,853	595,440	448,474	1,128,767	433,976	21,755	455,731	1,584,498
Printing, postage, and video production	145,100	1,358,168	2,242,365	3,745,633	217,727	736,062	953,789	4,699,422
Professional and legal services	881	31,724	-	32,605	465,704	-	465,704	498,309
Repairs and maintenance	-	48,057	-	48,057	193,892	33,057	226,949	275,006
Training and education	114,977	129,840	448,474	693,291	18,874	21,302	40,176	733,467
Travel and meetings	3,450,376	968,941	5,830,156	10,249,473	374,003	86,323	460,326	10,709,799
Utilities and insurance	132,930	201,041	-	333,971	334,554	7,512	342,066	676,037
	<b>\$ 77,745,192</b>	<b>\$ 11,381,301</b>	<b>\$ 8,969,469</b>	<b>\$ 98,095,962</b>	<b>\$ 3,882,625</b>	<b>\$ 3,431,074</b>	<b>\$ 7,313,699</b>	<b>\$ 105,409,661</b>

See notes to financial statements

**The Gideons International**  
**Statements of Cash Flows**  
For the Years Ended May 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents, beginning of year	\$ 38,696,751	\$ 40,396,768
<b>Cash flows from operating activities</b>		
Change in net assets	58,793,631	3,617,307
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	662,146	590,515
Loss on disposal of property and equipment	25,529	441,685
Noncash contributions	(662,482)	(720,527)
Proceeds from sales of noncash contributions	462,482	282,220
Allowance for obsolete inventory	234,975	234,975
Adjustment to fair market value of investment	-	260,792
Gain on settlement of life insurance policies	(1,922,171)	-
Earnings on cash surrender value of life insurance	(9,338)	(88,971)
Contributions restricted for long-term investment	(6,109)	(17,774)
Realized and unrealized (gain) loss on investments	(8,127,512)	(875,907)
Actuarial change in charitable gift annuities and trusts	(519,696)	(608,141)
Maturities of charitable gift annuities and trusts	(1,145,043)	(551,504)
Payments on charitable gift annuities and trusts	1,197,171	1,055,536
Change in:		
Other assets	(4,316,640)	(5,114,934)
Accounts payable and accrued expenses	160,842	710,503
Employee benefit obligations	(158,460)	(21,713)
Net cash provided (used) by operating activities	44,669,325	(805,938)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(1,064,394)	(922,847)
Purchases of investments	(5,681,118)	(7,408,272)
Proceeds from life insurance policies	4,062,167	-
Proceeds from sales and maturities of investments	9,121,863	7,175,191
Collection of mortgage notes receivable	6,328	677,999
Net cash provided (used) by investing activities	6,444,846	(477,929)
<b>Cash flows from financing activities</b>		
Proceeds from new annuities and trusts	2,696,195	1,077,215
Payments on annuities and trusts	(1,197,171)	(1,055,536)
Gift portion of new split interest agreements	(1,208,000)	(455,603)
Contributions restricted for long-term investment	6,109	17,774
Net cash provided (used) by financing activities	297,133	(416,150)
Net change in cash and cash equivalents	51,411,304	(1,700,017)
Cash and cash equivalents, end of year	<b>\$ 90,108,055</b>	<b>\$ 38,696,751</b>
<b>Supplemental disclosures of cash flow information</b>		
Cash and cash equivalents is held at:		
Headquarters	\$ 78,377,256	\$ 29,319,699
State and local level	9,480,859	7,596,449
International	2,249,940	1,780,603
	<b>\$ 90,108,055</b>	<b>\$ 38,696,751</b>

See notes to financial statements

**The Gideons International**  
Notes to Financial Statements  
For the Years Ended May 31, 2021 and 2020

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**Note 1. Organization and Nature of Activities**

The Gideons International (the Organization) is a not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code (the Code) and recognized by the Internal Revenue Service (IRS) as a church as described in the Code and is classified as an entity that is not a private foundation. As such, it is exempt from federal and state income tax, and contributions by the public are deductible for income tax purposes.

The mission of the Organization is to win others for the Lord Jesus Christ through the association of Christian business and professional men for service, the personal testimony and personal work by individual Gideons, and the placing of the Bible or portions thereof in hotels, hospitals, schools, and institutions, and also through the distribution of same for personal use. The Organization is supported primarily through donor contributions, membership dues, and investment income.

The Organization accomplishes its mission by the following program activities:

**Camps**

The camp is the basic operating unit through which individual members can most effectively serve. A camp may be organized where there are at least six Gideons. When a man joins, he becomes a member of The Gideons International, not a state or national association nor a camp. The camp is the fundamental and most important organizational unit with the Gideon ministry. There are approximately 2,900 camps in the United States.

**State Associations**

In the United States, The Gideons International is made up of 12 zones. A trustee is responsible for each one of these zones, which consists of a number of states. Some states, as geo-political entities, are combined to form a single state association, and other states may be divided to form more than a single state association.

**International Outreach Ministry**

All countries, territories, or possessions not identified as a national association are overseen by the international outreach committee (IOC); thus, these are known as international outreach countries. The IOC is one of the five standing committees of the association that are appointed by the international president, subject to approval by the international cabinet; hence, the IOC is delegated with authority from the international cabinet and is responsible to the cabinet.

**National Associations**

National associations are defined on the basis of having met certain criteria on membership (minimum number of camps and members), the establishment of a national office with a paid staff, and an elected cabinet. A national association will operate its own ministry within the governance and management guidelines established by the international cabinet.

**Note 2. Summary of Significant Accounting Policies**

The Organization maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

**The Gideons International**  
Notes to Financial Statements  
For the Years Ended May 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

These financial statements include amounts received by and under the control of the Organization, including those provided by National Associations and International Outreach Countries. Worldwide contributions reported to the Organization but retained by National Associations and International Outreach Countries for scriptures and administration have been reported as international support in the accompanying statements of activities but deducted from revenues of the Organization.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Investments**

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the statements of activities. Donated investments are recorded at estimated fair value at the date of donation and thereafter carried in conformity with the stated policy.

Investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is adequately diversified among many issuers.

**Use of Estimates**

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Other Assets**

Other assets consist of cash surrender value of life insurance policies, inventories, mortgage notes receivable, a non-majority interest in a limited liability company (LLC), as well as prepaid expenses and other miscellaneous receivables.

Inventories are stated at the lower-of-cost or net realizable value based on the first-in, first-out basis and consist of merchandise held for sale to members.

In previous years, the Organization received contributions of mortgage notes receivable from a donor. The carrying amounts of the mortgage notes receivable are reduced by a valuation allowance, if necessary, which reflects management's historical knowledge about each note. Past due status is determined based on the contractual terms and note balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. All mortgage notes are collateralized by a first mortgage lien on certain real property.

**The Gideons International**  
Notes to Financial Statements  
For the Years Ended May 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

During the year ended May 31, 2015, the Organization received a donation of approximately 10% ownership in a South Carolina LLC (the Company). The Company holds certain real property in the state of South Carolina and the investment in the LLC was recorded at the estimated fair value of the percentage of ownership of the Company at the date of the donation. The investment in the LLC that does not constitute a majority interest is reported using the cost method. Management has indicated that all Company owners have elected to liquidate certain real property.

The Organization prepays to manufacture scriptures. These costs are accounted for as prepaid program costs until the time the scriptures are placed in service.

Other miscellaneous receivables are reported net of any anticipated losses due to uncollectible accounts. No allowance for uncollectible accounts has been recorded as all balances are considered fully collectible as of May 31, 2021 and 2020.

**Property and Equipment and Depreciation**

Items capitalized as property and equipment are stated at cost or, if donated, at estimated fair market value on the date of donation. The Organization generally capitalizes and reports property and equipment acquisitions in excess of \$5,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

**Annuities Payable**

The Organization enters into agreements whereby a donor transfers funds to the Organization and in return the donor is guaranteed a stipulated periodic payment throughout his or her lifetime. Unrestricted contribution revenues are recognized in the period in which the contract is executed to the extent that the fair market value of the assets received exceeds the present value of the future expected payments to the donor. Certain of the annuity agreements are insured through the purchase of commercial annuity contracts in which the insurance company agrees to pay the donor the amount guaranteed by the Organization.

The investment in these insured annuity contracts is reflected in the accompanying financial statements at the present value of expected future payments to the insured annuitants.

Annuity obligations are recorded at the present value of the future expected payments to donors based upon applicable federal discount rates and life expectancies of annuitants. Actuarial changes and annuity payments are reported as actuarial adjustment on annuity obligations and payments to donors in the accompanying statements of activities.

**The Gideons International**  
Notes to Financial Statements  
For the Years Ended May 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

**Trust Assets, Obligation, and Net Assets**

The Organization enters into trust agreements with donors whereby the donor irrevocably transfers assets at the estimated fair market value to a trust naming the Organization as residual beneficiary. Temporarily restricted contribution revenues are recognized in the period in which the trust is established to the extent that the estimated fair market value of the assets received exceeds the present value of the future expected payments to the donor or beneficiary. The Organization will pay to the donor or the beneficiary during the donor's (beneficiary's) life a unitrust amount equal to a stipulated percentage of the net fair market value of the trust assets, valued as of the first day of each calendar year. Any income of the trust for a calendar year in excess of the unitrust amount is added to the trust principal. Upon the death of the donor (beneficiary), the remaining principal is released to net assets without donor restrictions.

**Classes of Net Assets**

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**The Gideons International**  
Notes to Financial Statements  
For the Years Ended May 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

**Support and Revenues and Expenses**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. ASU 2014-09 became effective for the Organization's fiscal year beginning June 1, 2019. Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU 2016-08, *Revenue from Contracts with Customers* (Topic 606): *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606): *Narrow-Scope Improvements and Practical Expedients*, and ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets* (Subtopic 610-20): *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs had the same effective date and transition requirements as ASU 2014-09.

Merchandise sales are recognized when goods are sold to members. For the years ended May 31, 2021 and 2020, merchandise sales revenues are recorded gross of cost of merchandise sales expense of \$1,729,046 and \$2,387,317, respectively, which is included with program services expenses in the accompanying statements of activities.

The Organization reports contributions of cash and other assets as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. If a restriction is fulfilled in the same period in which the contribution was received, the Organization reports the support as net assets without donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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 long-lived assets are placed in service.

**The Gideons International**  
Notes to Financial Statements  
For the Years Ended May 31, 2021 and 2020

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**Note 2. Summary of Significant Accounting Policies**

**Support and Revenues and Expenses**

Noncash contributions consist of securities recognized at estimated fair value on the date of the gift.

Shipping and handling costs are included in the cost of merchandise sold and scripture purchases.

Expenses are reported when costs are incurred, in accordance with the accrual basis of accounting.

The Organization operates State Associations and Camps in the United States as well as International Outreach Countries that are not recognized as National Associations under its corporate structure in accordance with the Guidebook. Amounts received from State Associations and Camps and International Outreach Countries and paid to the Organization are reported when received or paid, respectively.

**Uncertain Tax Positions**

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of May 31, 2021, the Organization has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination.

**Functional Expenses**

The costs of providing program and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<b>Expense</b>	<b>Method of allocation</b>
Salaries and related benefits	Time and effort
Travel and meetings	Time and effort
Printing, postage, and video production	Time and effort
Contract and field services	Full-time equivalent
Office expense	Time and effort
Training and education	Time and effort
Professional and legal services	Time and effort
Utilities and insurance	Square footage
Repairs and maintenance	Square footage

**Measure of Operations**

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program, supporting services, and investment related activity. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or non-recurring in nature.

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**Note 3. Availability and Liquidity**

The following represents the Organization's financial assets as of May 31:

	<b>2021</b>	<b>2020</b>
Financial assets		
Cash and cash equivalents	\$ 90,108,055	\$ 38,696,751
Investments	<u>46,804,682</u>	<u>40,005,578</u>
Total financial assets at year-end	136,912,737	78,702,329
Less amounts not available to be used within one year		
Contractual or donor-imposed restrictions		
Restrictions by donors with time and purpose restrictions	<u>(71,590,115)</u>	<u>(25,890,177)</u>
Financial assets available to meet cash needs for general expenditures within one year before board designations	65,322,622	52,812,152
Less board designations		
Administrative	(15,965,549)	(13,491,713)
Annuity reserve	(1,215,074)	(1,029,934)
General endowment	(3,373,388)	(3,208,481)
Special scripture endowment	<u>(923,823)</u>	<u>(350,277)</u>
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 43,844,788</b>	<b>\$ 34,731,747</b>

As part of the Organization's liquidity plan, in addition to year-round donations from members, churches, and donors, the Organization makes appeals to donors at strategic times of the year and in conjunction with international, national, and state conventions. Cash flow is managed through daily monitoring and monthly cash flow meetings reviewing rolling quarterly projections of cash inflows and outflows. Trends and actual results versus budget are reviewed on a monthly basis. Surplus cash other than the working capital, are invested in the money market account to generate additional interest income.

**Note 4. Short-term Operating Investments**

Short-term operating investments at fair value consist of the following at May 31:

	<b>2021</b>	<b>2020</b>
Mutual funds	\$ 10,933,325	\$ 8,342,799
US government obligations	2,111,445	2,987,610
Corporate bonds	2,715,313	2,368,531
Municipal bonds	<u>392,911</u>	<u>40,989</u>
	<b>\$ 16,152,994</b>	<b>\$ 13,739,929</b>

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**Note 4. Short-term Operating Investments**

Short-term operating investments are held for the following as of May 31:

	<b>2021</b>	<b>2020</b>
Undesignated	\$ 187,445	\$ 248,216
Board designated administrative	13,964,138	11,521,605
Board designated nonqualified pension plan	<u>2,001,411</u>	<u>1,970,108</u>
	<b>\$ 16,152,994</b>	<b>\$ 13,739,929</b>

Investment income on short-term operating investments consists of the following as of May 31:

	<b>2021</b>	<b>2020</b>
Interest and dividends	\$ 292,907	\$ 583,826
Net realized gain	1,524,141	1,247,916
Net unrealized (loss) gain	1,159,105	(238,803)
Investment expenses	<u>(133,662)</u>	<u>(119,946)</u>
	<b>\$ 2,842,491</b>	<b>\$ 1,472,993</b>

Note 14 provides additional information about short-term operating investments.

**Note 5. Other Assets**

Other assets consist of the following as of May 31:

	<b>2021</b>	<b>2020</b>
Cash surrender value of life insurance	\$ 551,404	\$ 2,682,062
Inventories, net	1,137,151	1,407,429
Mortgage notes receivable, net	115,851	122,179
Real estate held for sale and other non-cash assets	558,900	927,650
Prepaid expenses	10,129,946	5,814,375
Other	<u>103,478</u>	<u>66,594</u>
	<b>\$ 12,596,730</b>	<b>\$ 11,020,289</b>

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**Note 6. Property and Equipment**

Property and equipment consists of the following as of May 31:

	<b>2021</b>	<b>2020</b>
Land	\$ 884,443	\$ 884,443
Building	6,689,551	6,664,251
Furniture and equipment	11,908,597	11,507,727
Less: accumulated depreciation	<u>(13,510,423)</u>	<u>(13,917,847)</u>
	5,972,168	5,138,574
Construction in progress	<u>460,074</u>	<u>916,949</u>
Property and equipment, net	<b>\$ 6,432,242</b>	<b>\$ 6,055,523</b>

**Note 7. Assets Held for Long-term Purposes**

Assets held for long-term purposes consist of the following as of May 31:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 212,907	\$ 92,293
Mutual funds	19,885,802	16,349,886
Equities	3,102,463	2,373,584
US government obligations	1,336,560	1,152,759
Corporate bonds	1,748,885	1,680,912
Municipal bonds	-	59,013
Annuity contracts	<u>4,365,071</u>	<u>4,557,202</u>
	<b>\$ 30,651,688</b>	<b>\$ 26,265,649</b>

Investment income on assets held for long-term purposes for the year ended May 31, 2021, consists of:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Interest and dividends	\$ 150,193	\$ 23,913	\$ 174,106
Net realized gain	196,719	235,596	432,315
Net unrealized gain	1,444,722	197,181	1,641,903
Investment expenses	<u>(28,718)</u>	<u>(7,966)</u>	<u>(36,684)</u>
	<b>\$ 1,762,916</b>	<b>\$ 448,724</b>	<b>\$ 2,211,640</b>

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**Note 7. Assets Held for Long-term Purposes**

Investment income on assets held for long-term purposes for the year ended May 31, 2020, consists of:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Interest and dividends	\$ 194,866	\$ 33,970	\$ 228,836
Net realized gain	98,373	184,067	282,440
Net unrealized loss	(218,037)	(45,107)	(263,144)
Investment expenses	(33,853)	(5,154)	(39,007)
	<b>\$ 41,349</b>	<b>\$ 167,776</b>	<b>\$ 209,125</b>

The assets are held as follows as of May 31:

	<b>2021</b>	<b>2020</b>
Annuity investments	\$ 16,285,388	\$ 13,644,691
Trust assets	5,106,979	4,063,500
Endowment investments	8,241,298	7,687,481
Sarah F. Szekely Fund Term Endowment	631,707	542,765
Other restricted assets	386,316	327,212
	<b>\$ 30,651,688</b>	<b>\$ 26,265,649</b>

Note 14 provides additional information about assets held for long-term purposes.

**Note 8. Annuities Payable**

Annuities payable consist of the following as of May 31:

	<b>2021</b>	<b>2020</b>
Computed present value:		
Gift annuity fund	\$ 6,075,372	\$ 5,149,671
Reinsured gift annuity contracts	4,365,071	4,557,202
	<b>\$ 10,440,443</b>	<b>\$ 9,706,873</b>

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**Note 9. Trust Assets, Liabilities, and Net Assets**

Trust assets, liabilities, and net assets are held under split interest agreements in the form of charitable remainder trusts. Balances are as follows for the years ended May 31:

	<b>2021</b>	<b>2020</b>
Trust assets (at fair value)		
Investments	\$ 5,106,979	\$ 4,063,500
Trust liabilities and net assets		
Present value of expected payments to beneficiaries	\$ 3,076,605	\$ 2,443,132
Trust net assets	<u>2,030,374</u>	<u>1,620,368</u>
	<b>\$ 5,106,979</b>	<b>\$ 4,063,500</b>

An actuarial adjustment is recognized in the statements of activities for changes in the value of annuities and trusts and is included in actuarial adjustment on annuity obligations and payments to donors.

For the year ended May 31, 2021, these changes include:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Investment income, interest and dividends	\$ 229,786	\$ 124,936	\$ 354,722
Realized and unrealized gains	2,299,962	1,030,544	3,330,506
Actuarial adjustments	977,275	(457,579)	519,696
Advisory fees and other expenses	(50,395)	(28,690)	(79,085)
Payments to income beneficiaries	<u>(895,263)</u>	<u>(301,908)</u>	<u>(1,197,171)</u>
	<b>\$ 2,561,365</b>	<b>\$ 367,303</b>	<b>\$ 2,928,668</b>

For the year ended May 31, 2020, these changes include:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Investment income, interest and dividends	\$ 237,036	\$ 222,117	\$ 459,153
Realized and unrealized losses	(71,630)	(80,872)	(152,502)
Actuarial adjustments	485,416	122,725	608,141
Advisory fees and other expenses	(47,722)	(21,405)	(69,127)
Payments to income beneficiaries	<u>(840,621)</u>	<u>(214,915)</u>	<u>(1,055,536)</u>
	<b>\$ (237,521)</b>	<b>\$ 27,650</b>	<b>\$ (209,871)</b>

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**Note 10. Net Assets**

Net assets consist of the following as of May 31:

	<b>2021</b>	<b>2020</b>
Net assets without donor restrictions		
Undesignated		
Headquarters and International	\$ 21,142,976	\$ 16,073,115
State and local level	<u>9,480,859</u>	<u>7,596,450</u>
	30,623,835	23,669,565
Unfunded employee benefit obligations	(334,546)	(366,655)
Life income (annuities)	<u>3,503,684</u>	<u>1,191,867</u>
	33,792,973	24,494,777
Board designated		
Administrative	15,965,549	13,491,713
Annuity reserve	1,215,074	1,029,934
General endowment	3,373,388	3,208,481
Special scripture endowment	<u>923,823</u>	<u>350,277</u>
	21,477,834	18,080,405
Net investment in property and equipment	<u>6,432,242</u>	<u>6,055,523</u>
	<b>\$ 61,703,049</b>	<b>\$ 48,630,705</b>
Net assets with donor restrictions		
Charitable remainder trusts	\$ 2,030,374	\$ 1,620,368
Sarah F. Szekely Fund Term Endowment	631,707	542,765
Scripture placement*	65,563,638	20,571,196
Other temporarily restricted assets	386,316	327,212
General endowment	693,930	682,933
Special scripture endowment	<u>2,305,499</u>	<u>2,145,703</u>
	<b>\$ 71,611,464</b>	<b>\$ 25,890,177</b>

\*Amount represents the remaining balance of funds contributed by donors for the specific placement of Scriptures.

**Note 11. Employee Benefit Obligations**

**Defined Contribution Plan**

The Organization maintains a defined contribution retirement plan covering substantially all of its employees. The Organization makes annual contributions to the plan as determined by management. The plan assets are held in a trust fund by a corporate trustee and are not included in these financial statements.

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**Note 11. Employee Benefit Obligations**

**Defined Contribution Plan**

Effective January 1, 2016, the Organization adopted The Gideons International 401(k) Retirement Plan (the Plan), which is an amendment to the prior defined contribution retirement plan, and covers substantially all eligible employees, as defined by the Plan. The amended Plan allows voluntary employee contributions, subject to IRS limits. The amended Plan includes employer matching contributions equal to the participant contributions but not to exceed 4.0% of compensation, as defined by the Plan. The Plan also includes a discretionary employer contribution, as determined by management each year. Participants are fully vested after five years of employment.

The Organization's contributions to the Plan amounted to approximately \$704,000 and \$650,000 for the years ended May 31, 2021 and 2020, respectively.

**Nonqualified Pension Plan**

The Organization maintains a nonqualified pension plan (designated fund) established prior to the adoption of the defined contribution plan, as amended. The nonqualified plan will remain in existence, although there is no intention to make additional contributions, until all funds have been distributed to participants. During 2001, the Organization entered into agreements with each of the nonqualified pension plan participants whereby the annual income earned by the participant is not subject to financial equity market risk. The Organization agreed to annually add to each participant's account an amount equal to the greater of 5.0% or 1.0% plus the United States 10-year Treasury Note Yield (applicable percentage) as published on May 31 of the preceding year. The Organization has assumed the risk of financial loss if it is unable to earn an amount in excess of the applicable percentage.

At May 31, 2021 and 2020, the applicable percentage was 5.0%. Accordingly, the Organization has reflected the liability to the nonqualified pension plan participants of \$1,764,999 and \$1,903,584 with employee benefit obligations in the accompanying statements of financial position as of May 31, 2021 and 2020, respectively.

**Postretirement Benefits**

The Organization provides post retirement life insurance benefits to employees hired prior to January 1, 1991. Upon retirement, the Organization provides life insurance coverage to these employees in an amount equal to one half of their salary at the time of retirement. The Organization also provides coverage of \$10,000 for the employee's spouse until the death of the employee. The Organization accounts for the postretirement benefits in accordance with the provisions of the *Compensation Retirement Benefits* topic of the FASB Accounting Standards Codification (ASC). The following sets forth the plan's funded status and amounts recognized in the statements of financial position as of May 31:

	<b>2021</b>	<b>2020</b>
Net periodic benefit cost	\$ 28,083	\$ 15,093
Employer contributions	\$ 30,064	\$ 30,106
Benefit payments	\$ 30,064	\$ 30,106

The benefit obligation of the plan was \$334,546 and \$366,655 as of May 31, 2021 and 2020, respectively. Management of the Organization believes the unfunded benefit obligation will be funded by life insurance proceeds on the lives of those employees who are entitled to the postretirement benefits.

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**Note 11. Employee Benefit Obligations**

**Postretirement Benefits**

Components of net periodic benefit cost are as follows as of May 31:

	<b>2021</b>	<b>2020</b>
Service cost	\$ 2,719	\$ 2,246
Interest cost	9,689	11,395
Amortization of unrecognized net loss	<u>15,675</u>	<u>1,452</u>
	<b>\$ 28,083</b>	<b>\$ 15,093</b>

Assumptions used in determining the preceding information are as follows as of May 31:

	<b>2021</b>	<b>2020</b>
Discount rate	2.50%	2.75%
Annual pay increases for active employees	2.50%	2.50%
Retirement age	65 or current age if later	
Mortality	2014 Group Annuity Mortality Table	

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

<b>Year ended June 30,</b>	
2022	\$ 30,925
2023	29,468
2024	29,711
2025	28,157
2026	26,579
Thereafter	<u>109,214</u>
Total	<b>\$ 254,054</b>

**Note 12. Commitments**

As of May 31, 2021, the Organization has entered into commitments for the purchase of approximately 43,954,828 scriptures, amounting to approximately \$43,751,541. All commitments are expected to be satisfied within the next year.

**Note 13. Related Party Transactions**

The Organization received \$24,224,456 and \$26,159,496 of scripture and administrative fund remittances from worldwide National Associations and IOCs, of which \$15,682,065 and \$16,811,761 was used in country by certain National Associations and \$8,542,391 and \$9,347,735 in worldwide contributions has been remitted to the Organization and is included in Contributions International in the accompanying statements of activities for the years ended May 31, 2021 and 2020, respectively.

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**Note 14. Fair Value Measurements**

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of 3 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 table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<b>Total</b>
Short-term operating investments				
Board designated Mutual funds				
Income	\$ 1,928,467	\$ -	\$ -	\$ 1,928,467
Growth	2,718,556	-	-	2,718,556
Value	957,396	-	-	957,396
Balanced	4,187,784	-	-	4,187,784
International	751,215	-	-	751,215
Index	<u>389,907</u>	<u>-</u>	<u>-</u>	<u>389,907</u>
	10,933,325	-	-	10,933,325
US governmental obligations	1,417,243	694,202	-	2,111,445
Corporate bonds	-	2,715,313	-	2,715,313
Municipal bonds	<u>-</u>	<u>392,911</u>	<u>-</u>	<u>392,911</u>
	<b>\$ 12,350,568</b>	<b>\$ 3,802,426</b>	<b>-</b>	<b>\$ 16,152,994</b>
Other assets				
Cash surrender value of life insurance	\$ -	\$ -	\$ 551,404	\$ 551,404

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**Note 14. Fair Value Measurements**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<b>Total</b>
Assets held for long-term purposes				
Cash and cash equivalents	\$ 212,907	\$ -	\$ -	\$ 212,907
Mutual funds				
Income	4,934,111	-	-	4,934,111
Growth	3,690,603	-	-	3,690,603
Value	3,660,771	-	-	3,660,771
Balanced	4,179,604	-	-	4,179,604
International	3,376,345	-	-	3,376,345
Index	<u>44,368</u>	<u>-</u>	<u>-</u>	<u>44,368</u>
	19,885,802	-	-	19,885,802
Equities	3,102,463	-	-	3,102,463
US government obligations	542,287	794,273	-	1,336,560
Corporate bonds	-	1,748,885	-	1,748,885
Municipal bonds	-	-	-	-
Annuity contracts	<u>-</u>	<u>-</u>	<u>4,365,071</u>	<u>4,365,071</u>
	<b>\$ 23,743,459</b>	<b>\$ 2,543,158</b>	<b>\$ 4,365,071</b>	<b>\$ 30,651,688</b>

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**Note 14. Fair Value Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<b>Total</b>
Short-term operating investments				
Board designated Mutual funds				
Income	\$ 1,760,983	\$ -	\$ -	\$ 1,760,983
Growth	2,071,706	-	-	2,071,706
Value	265,567	-	-	265,567
Balanced	3,033,727	-	-	3,033,727
International	799,287	-	-	799,287
Index	<u>411,529</u>	<u>-</u>	<u>-</u>	<u>411,529</u>
	8,342,799	-	-	8,342,799
US governmental obligations	1,682,264	1,305,346	-	2,987,610
Corporate bonds	-	2,368,531	-	2,368,531
Municipal bonds	<u>-</u>	<u>40,989</u>	<u>-</u>	<u>40,989</u>
	<b>\$ 10,025,063</b>	<b>\$ 3,714,866</b>	<b>-</b>	<b>\$ 13,739,929</b>
Other assets				
Cash surrender value of life insurance	\$ -	\$ -	\$ 2,682,062	\$ 2,682,062

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**Note 14. Fair Value Measurements**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<b>Total</b>
Assets held for long-term purposes				
Cash and cash equivalents	\$ 92,293	\$ -	\$ -	\$ 92,293
Mutual funds				
Income	4,980,668	-	-	4,980,668
Growth	3,525,690	-	-	3,525,690
Value	2,694,963	-	-	2,694,963
Balanced	2,841,758	-	-	2,841,758
International	2,222,589	-	-	2,222,589
Index	<u>84,218</u>	<u>-</u>	<u>-</u>	<u>84,218</u>
	16,349,886	-	-	16,349,886
Equities	2,373,584	-	-	2,373,584
US government obligations	400,074	752,685	-	1,152,759
Corporate bonds	-	1,680,912	-	1,680,912
Municipal bonds	-	59,013	-	59,013
Annuity contracts	<u>-</u>	<u>-</u>	<u>4,557,202</u>	<u>4,557,202</u>
	<b>\$ 19,215,837</b>	<b>\$ 2,492,610</b>	<b>\$ 4,557,202</b>	<b>\$ 26,265,649</b>

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

**Level 1 Fair Value Measurements**

Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. The fair values of equities, US government obligations, and mutual funds are based on current pricing in the applicable market.

**Level 2 Fair Value Measurements**

Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full-term of the asset or liability. The fair values of corporate and municipal bonds are based on yields currently available on comparable securities of issuers with similar credit ratings.

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**Note 14. Fair Value Measurements**

**Level 3 Fair Value Measurements**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The fair value of the reinsured annuity contracts is determined by calculating the present value of the future distributions expected to be paid, using published life expectancy tables and certain discount rates. The fair value of real estate held for investment is based on sales of comparable property, adjusted for differences in physical characteristics (location, size, condition, amenities, etc.), and local economic conditions. Cash surrender value of life insurance is valued by the insurer. The following table provides further detail of the Level 3 fair value measurements as of May 31, 2021 and 2020:

Balance May 31, 2019	\$ 4,823,637
Purchase of new annuity contracts	56,347
Change in present value of annuity contracts	<u>(322,782)</u>
Balance May 31, 2020	4,557,202
Change in present value of annuity contracts	<u>(192,131)</u>
Balance May 31, 2021	\$ <b>4,365,071</b>

*Changes in valuation techniques – None*

There were no significant changes in other level 3 assets during the years ended May 31, 2021 and 2020.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period. For the years ended May 31, 2021 and 2020, there were no transfers in or out of Levels 1, 2, or 3.

**Note 15. Endowment Funds**

The Organization's endowments consist of the following:

(a) General Endowment Fund – A portion of life membership dues and all permanently restricted contributions received constitute the General Endowment Fund. Such funds are invested in marketable securities. Income from the investments is used for administrative expenses and is recorded directly in the Administrative fund.

(b) Special Scripture Endowment Fund – Contributions received for the Special Scripture Endowment Fund are invested in marketable securities. Income from the investments is used for the purchase of Scriptures and is recorded as investment income in the Scripture Fund, except in instances where the donor has required a portion of the income be added to principal.

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**Note 15. Endowment Funds**

(c) The Sarah Fulmer Szekely Term Endowment Fund – Contributions received for The Sarah Fulmer Szekely Term Endowment Fund are invested in fixed income and equities. Income from the investments is to be added to principal until 2043, at which time all principal may be used for the Organization's operations. The fund will distribute a total of 7.0% on an annual basis. The distributions are made at the beginning of each calendar year and the distribution amount is calculated as the average of the prior three calendar year-end market values times the distribution percentage.

The endowment consists of board designated and donor restricted endowment funds. As required by US GAAP, net assets associated with endowment funds, including those designated by the cabinet to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 (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 held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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, 2021:

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Total</u></b>
Board designated endowment funds	\$ 4,297,211	\$ -	\$ 4,297,211
Donor restricted endowment funds	-	3,631,136	3,631,136
	<b>\$ 4,297,211</b>	<b>\$ 3,631,136</b>	<b>\$ 7,928,347</b>

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**Note 15. Endowment Funds**

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, May 31, 2020	\$ 3,558,758	\$ 3,371,401	\$ 6,930,159
Investment return			
Interest and dividends	150,193	23,913	174,106
Net realized gain	196,719	92,712	289,431
Net unrealized gain	1,444,722	197,181	1,641,903
Investment expenses	<u>(28,718)</u>	<u>(7,966)</u>	<u>(36,684)</u>
Total investment return	1,762,916	305,840	2,068,756
Additional board designations	126,645	-	126,645
Deferred revenue – lifetime memberships	(694,106)	-	(694,106)
Contributions	-	6,109	6,109
Amounts appropriated for expenditures	<u>(457,002)</u>	<u>(52,214)</u>	<u>(509,216)</u>
Endowment net assets, May 31, 2021	<b>\$ 4,297,211</b>	<b>\$ 3,631,136</b>	<b>\$ 7,928,347</b>

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 3,558,758	\$ -	\$ 3,558,758
Donor restricted endowment funds	<u>-</u>	<u>3,371,401</u>	<u>3,371,401</u>
	<b>\$ 3,558,758</b>	<b>\$ 3,371,401</b>	<b>\$ 6,930,159</b>

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**Note 15. Endowment Funds**

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<b>Total</b>
Endowment net assets, May 31, 2019	\$ 4,919,378	\$ 3,271,102	\$ 8,190,480
Investment return:			
Interest and dividends	194,866	21,435	216,301
Net realized gain	98,373	149,183	247,556
Net unrealized loss	(218,037)	(43,250)	(261,287)
Investment expenses	<u>(33,853)</u>	<u>(5,154)</u>	<u>(39,007)</u>
Total investment return	41,349	122,214	163,563
Additional board designations	107,070	-	107,070
Contributions	-	17,774	17,774
Amounts appropriated for expenditures	<u>(1,509,039)</u>	<u>(39,689)</u>	<u>(1,548,728)</u>
Endowment net assets, May 31, 2020	<b>\$ 3,558,758</b>	<b>\$ 3,371,401</b>	<b>\$ 6,930,159</b>

At May 31, 2021 and 2020, net assets with donor restrictions consist of the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor-stipulation or by UPMIFA.

The Organization has established investment policies for endowments which set certain expectations for target asset allocations, expected rates of return, and risk tolerances sufficient to achieve long-term investment objectives. Investment performance is reviewed at least annually with comparisons made to market indices.

**Note 16. Concentrations**

The Organization maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. Approximately \$73,000,000 and \$29,000,000 of cash was held in excess of the federally insured limit at May 31, 2021 and 2020, respectively. The Organization has not experienced any losses on such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of May 31, 2021 and 2020, one vendor was owed 74% and 71% of accounts payable, respectively.

The Organization holds various investments that consist of cash and securities at times can exceed the Securities Investor Protection Corporation insured limits. The Organization has not experienced any losses on such accounts, and management believes it is not exposed to any significant credit risk on cash and securities.

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**Note 17. Contingencies**

Occasionally, the Organization becomes involved in various legal proceedings arising in the normal course of operations. In the opinion of management, and from consultations with legal counsel, for claims exerted, the Organization will defend itself vigorously and no estimate of loss is included in the financial statements as of May 31, 2021.

**Note 18. Subsequent Events**

Management has evaluated subsequent events through July 8, 2021, the date on which the financial statements were available to be issued.