THE GIDEONS INTERNATIONAL

Financial Statements
With Independent Auditors' Report

May 31, 2017 and 2016

THE GIDEONS INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

International Finance Committee
The Gideons International
Nashville, Tennessee

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

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International Finance Committee
The Gideons International
Nashville, Tennessee

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Lawrenceville, Georgia
July 5, 2017

THE GIDEONS INTERNATIONAL

Statements of Financial Position

	May 31, 2017	May 31, 2016
ASSETS:		
Cash and cash equivalents	$ 13,587,809	$ 16,934,111
Short–term operating investments	12,229,382	11,308,478
Other assets	5,626,580	5,914,378
Property, plant, and equipment–net	6,484,001	7,368,252
Assets held for long–term purposes	25,618,463	23,490,621
Total Assets	$ 63,546,235	$ 65,015,840
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 7,697,400	$ 12,948,861
Rebates due to state associations and auxiliary	1,979,491	2,028,873
Employee benefit obligations	3,066,997	3,110,625
Annuities and trusts payable	13,531,456	13,097,002
	26,275,344	31,185,361
Net assets:		
Unrestricted:		
Undesignated	10,257,601	8,210,052
Board designated	10,472,975	9,409,969
Net investment in property, plant, and equipment	6,484,001	7,368,252
	27,214,577	24,988,273
Temporarily restricted	2,879,526	2,333,136
Permanently restricted	7,176,788	6,509,070
	37,270,891	33,830,479
Total Liabilities and Net Assets	$ 63,546,235	$ 65,015,840

See notes to financial statements

THE GIDEONS INTERNATIONAL

Statement of Activities

Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Support:				
Contributions:				
Headquarters	$ 92,388,212	$ 408,449	$ 146,870	$ 92,943,531
Held at state and local level	12,332,493	-	-	12,332,493
International, net of $21,054,420 for use at the National Association level	12,085,948	-	-	12,085,948
	116,806,653	408,449	146,870	117,361,972
Revenue:				
Dues income	5,990,194	-	-	5,990,194
Investment income	1,145,654	70,618	520,848	1,737,120
Merchandise sales, net of $848,837 for purchases made at the state and local level	2,276,281	-	-	2,276,281
Other income	19,648	-	-	19,648
	9,431,777	70,618	520,848	10,023,243
Total Support and Revenue	126,238,430	479,067	667,718	127,385,215
Net Assets Released from Restrictions:				
Expiration of time restrictions	40,661	(40,661)	-	-
Satisfaction of purpose restrictions	15,858	(15,858)	-	-
Operating Support and Revenue	126,294,949	422,548	667,718	127,385,215
EXPENSES:				
Program services:				
Scripture purchases and distribution	95,642,036	-	-	95,642,036
Membership support and development	10,140,150	-	-	10,140,150
State and local level	12,314,242	-	-	12,314,242
	118,096,428	-	-	118,096,428

(continued)

See notes to financial statements

THE GIDEONS INTERNATIONAL

Statement of Activities

Year Ended May 31, 2017
(continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES, continued:				
Supporting activities:				
Management and general	3,147,844	-	-	3,147,844
Fund–raising	2,975,238	-	-	2,975,238
	6,123,082	-	-	6,123,082
Operating expenses	124,219,510	-	-	124,219,510
Change in Net Assets from Operations	2,075,439			
NONOPERATING ACTIVITIES:				
Actuarial adjustment on annuity obligations and payments to donors	(260,324)	(123,842)	-	(384,166)
Nonqualified pension plan expense	109,459	-	-	109,459
Change in Net Assets from Nonoperating Activities	(150,865)	(123,842)	-	(274,707)
Change in Net Assets	2,226,304	546,390	667,718	3,440,412
Net Assets, Beginning of Year	24,988,273	2,333,136	6,509,070	33,830,479
Net Assets, End of Year	$ 27,214,577	$ 2,879,526	$ 7,176,788	$ 37,270,891

See notes to financial statements

THE GIDEONS INTERNATIONAL

Statement of Activities

Year Ended May 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Support:				
Contributions:				
Headquarters	$ 93,614,815	$ 501,333	$ 498,440	$ 94,614,588
State and local level	11,028,146	-	-	11,028,146
International, net of $24,180,163 for use at the National Association level	14,780,373	-	-	14,780,373
	119,423,334	501,333	498,440	120,423,107
Revenue:				
Dues income	6,211,478	-	-	6,211,478
Investment income (loss)	46,255	(3,145)	(185,260)	(142,150)
Merchandise sales	2,035,569	-	-	2,035,569
Other income	215,678	-	-	215,678
	8,508,980	(3,145)	(185,260)	8,320,575
Total Support and Revenue	127,932,314	498,188	313,180	128,743,682
Net Assets Released from Restrictions:				
Expiration of time restrictions	41,847	(41,847)	-	-
Satisfaction of purpose restrictions	4,816	(4,816)	-	-
Operating Support and Revenue	127,978,977	451,525	313,180	128,743,682
EXPENSES:				
Program services:				
Scripture purchases and distribution	100,396,310	-	-	100,396,310
Membership support and development	10,128,804	-	-	10,128,804
State and local level	11,865,098	-	-	11,865,098
	122,390,212	-	-	122,390,212

(continued)

See notes to financial statements

THE GIDEONS INTERNATIONAL

Statement of Activities

Year Ended May 31, 2016
(continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES, continued:				
Supporting activities:				
Management and general	3,442,735	-	-	3,442,735
Fund–raising	2,834,392	-	-	2,834,392
	6,277,127	-	-	6,277,127
Operating expenses	128,667,339	-	-	128,667,339
Change in Net Assets from Operations	(688,362)			
NONOPERATING ACTIVITIES:				
Actuarial adjustment on annuity obligations and payments to donors	(157,906)	356,505	-	198,599
Nonqualified pension plan expense	114,764	-	-	114,764
Change in Net Assets from Nonoperating Activities	(43,142)	356,505	-	313,363
Change in Net Assets	(645,220)	95,020	313,180	(237,020)
Net Assets, Beginning of Year	25,633,493	2,238,116	6,195,890	34,067,499
Net Assets, End of Year	$ 24,988,273	$ 2,333,136	$ 6,509,070	$ 33,830,479

See notes to financial statements

THE GIDEONS INTERNATIONAL

Statements of Cash Flows

	Year Ended May 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,440,412	$ (237,020)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,241,929	1,244,691
Loss on disposal of property, plant, and equipment	95,203	8,794
Noncash contributions	(578,359)	(727,318)
Proceeds from sales of noncash contributions	548,735	218,197
Allowance for mortgage notes receivable	(222,108)	215,742
Contributions restricted for long–term investment	(146,870)	(498,440)
Realized and unrealized (gain) loss on investments	(1,080,460)	754,063
Actuarial change in charitable gift annuities and trusts	(470,667)	(770,545)
Maturities of charitable gift annuities	(63,348)	(94,267)
Payments on charitable gift annuities	1,006,349	843,891
Change in:		
Other assets	404,131	(188,738)
Accounts payable and accrued expenses	(5,251,461)	(366,360)
Rebates due to state associations and auxiliary	(49,382)	(61,697)
Employee benefit obligations	(43,628)	(237,741)
Net Cash Provided (Used) by Operating Activities	(1,169,524)	103,252
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(452,881)	(462,613)
Proceeds from disposal of property, plant, and equipment	-	15,087
Purchases of investments	(1,091,976)	(1,465,031)
Proceeds from sales and maturities of investments	(876,310)	828,195
Collection of mortgage notes receivable	105,775	35,094
Net Cash Used by Investing Activities	(2,315,392)	(1,049,268)

(continued)

See notes to financial statements

THE GIDEONS INTERNATIONAL

Statements of Cash Flows
(continued)

	Year Ended May 31,	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new annuities and trusts	1,495,204	2,379,366
Payments on annuities and trusts	(1,006,349)	(843,891)
Gift portion of new split interest agreements	(497,111)	(840,210)
Contributions restricted for long–term investment	146,870	498,440
Net Cash Provided by Financing Activities	138,614	1,193,705
Change in Cash and Cash Equivalents	(3,346,302)	247,689
Cash and Cash Equivalents, Beginning of Year	16,934,111	16,686,422
Cash and Cash Equivalents, End of Year	$ 13,587,809	$ 16,934,111
SUPPLEMENTAL DISCLOSURE:		
Cash and cash equivalents is held at:		
Headquarters	$ 3,349,762	$ 7,796,811
State and local level	8,241,587	7,043,300
International	1,996,460	2,094,000
	$ 13,587,809	$ 16,934,111

See notes to financial statements

THE GIDEONS INTERNATIONAL

Notes to Financial Statements

May 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

The Gideons International (the Organization) is a nonprofit 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, 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 3,160 camps in the United States.

State Associations

In the United States, The Gideons International is made up of twelve 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.

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.

USE OF ESTIMATES

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

These financial statements include amounts received by and under the control of the Organization, including those provided by National Associations and IOCs. Worldwide contributions reported to the Organization but retained by National Associations and IOCs for scriptures and administration have been reported as international support in the accompanying statements of activities but deducted from revenue 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. The Organization maintains cash and cash equivalents in financial institutions which may, at times, exceed federally 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 cash equivalents.

INVESTMENTS (SHORT–TERM AND LONG–TERM)

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 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.

OTHER ASSETS

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

Inventories are stated at the lower of cost or market based on the first–in, first–out basis and consists of merchandise held for sale to members and scriptures (including raw materials) that have been purchased but not released for distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OTHER ASSETS, continued

During the year ended May 31, 2014, 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.

During the year ended May 31, 2015, Organization received a donation of approximately 10% ownership in a South Carolina limited liability company (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 limited liability company 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.

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, 2017 and 2016.

PROPERTY, PLANT, AND EQUIPMENT–NET

Items capitalized as property and equipment are stated at cost or, if donated, at 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 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 three to forty 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 revenue is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ANNUITIES PAYABLE, continued
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 as prescribed by the Code. Actuarial changes and annuity payments are reported as actuarial adjustment on annuity obligations and payments to donors in the accompanying statements of activities.

TRUST ASSETS, OBLIGATION, AND NET ASSETS
The Organization enters into trust agreements with donors whereby the donor irrevocably transfers assets at fair market value to a trust naming the Organization as residual beneficiary. Temporarily restricted contribution revenue is recognized in the period in which the trust is established to the extent that the 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 unrestricted net assets.

CLASSES OF NET ASSETS
The financial statements report amounts separately by class of net assets:

Unrestricted net assets are currently available at the discretion of the board for use in Organization's operations. Board designated amounts have been designated by the board for administrative, annuity reserve, and nonqualified pension plan. Investment in property, plant, and equipment represents amounts invested in property and equipment net of accumulated depreciation.

Temporarily restricted net assets are stipulated by donors for specific operating purposes or for the acquisition of property, plant, and equipment or are time restricted.

Permanently restricted net assets are contributed with donor restrictions requiring that they be held in perpetuity with income used for operations.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES
Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Merchandise sales are recognized when goods are sold to members. As of May 31, 2017 and 2016, merchandise sales revenue is recorded gross of cost of merchandise sales expense of $2,837,134 and $2,985,504, respectively, which is included with program services expenses in the accompanying statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued
The Organization reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated net assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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.

Gifts–in–kind consist of securities recognized at fair value on the date of the gift. For the years ended May 31, 2017 and 2016, gifts–in–kind amounted to $578,359 and $727,318, respectively.

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 costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and the supporting activities benefited.

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, 2017 and 2016, the Organization has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination.

3. SHORT–TERM OPERATING INVESTMENTS:

Short–term operating investments at fair value consist of:

	May 31, 2017	May 31, 2016
Mutual funds	$ 8,841,124	$ 8,116,877
US government obligations	1,792,385	1,634,907
Corporate bonds	1,385,501	1,352,546
Municipal bonds	210,372	204,148
	$ 12,229,382	$ 11,308,478

Short–term operating investments are held for:

	May 31, 2017	May 31, 2016
Undesignated	$ 98,163	$ 96,577
Board designated administrative	9,557,082	8,554,485
Board designated nonqualified pension plan	2,145,624	2,225,739
Deferred compensation plan	428,513	431,677
	$ 12,229,382	$ 11,308,478

Investment income on short–term operating investments consists of:

	Year Ended May 31, 2017	Year Ended May 31, 2016
Interest and dividends	$ 440,815	$ 478,300
Net realized gains	86,724	280,682
Net unrealized gains (losses)	778,585	(523,896)
Investment expenses	(160,470)	(188,831)
	$ 1,145,654	$ 46,255

Note 13 provides additional information about short–term operating investments.

4. OTHER ASSETS:

Other assets consists of:

	May 31, 2017	May 31, 2016
Cash surrender value of life insurance	$ 2,322,212	$ 2,205,124
Inventories	1,307,743	1,443,146
Mortgage notes receivable–net	751,937	1,005,821
Investment in limited liability company	803,646	876,390
Prepaid expenses	299,513	241,242
Other miscellaneous receivables	141,529	142,655
	$ 5,626,580	$ 5,914,378

5. PROPERTY, PLANT, AND EQUIPMENT–NET:

Property, plant, and equipment–net consists of:

	May 31, 2017	May 31, 2016
Land	$ 884,443	$ 884,443
Building	6,309,920	6,456,394
Furniture and equipment	11,105,990	10,704,944
	18,300,353	18,045,781
Less accumulated depreciation	(12,028,927)	(10,892,233)
	6,271,426	7,153,548
Construction in progress	212,575	214,704
Net investment in property, plant, and equipment	$ 6,484,001	$ 7,368,252

6. ASSETS HELD FOR LONG–TERM PURPOSES:

Assets held for long–term purposes at fair value consists of:

	May 31, 2017	May 31, 2016
Cash and cash equivalents	$ 43,500	$ 24,722
Mutual funds	13,461,204	11,548,447
Common stock	2,928,722	2,799,727
US government obligations	1,426,316	1,192,710
Corporate bonds	1,997,569	1,937,291
Annuity contracts	5,504,278	5,684,396
Mortgage note receivable–net	153,161	151,328
Real estate held for investment	103,713	152,000
	$ 25,618,463	$ 23,490,621

Investment income (loss) on assets held for long–term purposes for the year ended May 31, 2017, consists of:

	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 15,620	$ 32,878	$ 48,498
Net realized gains	28,105	43,114	71,219
Net unrealized gains	28,628	482,120	510,748
Investment expenses	(1,735)	(37,264)	(38,999)
	$ 70,618	$ 520,848	$ 591,466

Investment income (loss) on assets held for long–term purposes for the year ended May 31, 2016, consists of:

	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 15,893	$ 29,935	$ 45,828
Net realized gains (losses)	8,422	(61,182)	(52,760)
Net unrealized losses	(25,690)	(120,443)	(146,133)
Investment expenses	(1,770)	(33,570)	(35,340)
	$ (3,145)	$ (185,260)	$ (188,405)

6. ASSETS HELD FOR LONG–TERM PURPOSES, continued:

Assets held for long–term purposes consists of:

	May 31, 2017	May 31, 2016
Annuity investments	$ 12,455,090	$ 12,009,105
Endowment investments	7,089,381	6,099,399
Trust assets	5,267,102	4,844,843
Sarah F. Szekely investment	551,524	537,274
Other temporarily restricted assets	255,366	-
	$ 25,618,463	$ 23,490,621

Note 13 provides additional information about assets held for long–term purposes.

7. ANNUITIES PAYABLE:

Annuities payable consists of:

	May 31, 2017	May 31, 2016
Computed present value:		
Gift annuity fund	$ 4,832,712	$ 4,363,623
Reinsured gift annuity contracts	5,504,278	5,684,396
	$ 10,336,990	$ 10,048,019

8. 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.

	May 31, 2017	May 31, 2016
Trust assets (at fair value):		
Cash and cash equivalents	$ 8,439	$ 24,722
Investments	5,001,789	4,516,793
Mortgage note receivable–net	153,161	151,328
Real estate held for investment	103,713	152,000
	$ 5,267,102	$ 4,844,843

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

Trust assets, liabilities, and net assets are held under split interest agreements in the form of charitable remainder trusts.

	May 31, 2017	May 31, 2016
Trust liabilities and net assets:		
Present value of expected payments to beneficiaries	$ 3,194,466	$ 3,048,983
Trust net assets	2,072,636	1,795,860
	$ 5,267,102	$ 4,844,843

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, 2017 and 2016, these changes include:

	May 31, 2017		
	Unrestricted	Temporarily Restricted	Total
Investment income–interest and dividends	$ 151,841	$ 118,603	$ 270,444
Realized and unrealized gains	443,250	298,457	741,707
Actuarial adjustments	476,882	(6,215)	470,667
Advisory fees and other expenses	(49,804)	(42,499)	(92,303)
Payments to income beneficiaries	(761,845)	(244,504)	(1,006,349)
	$ 260,324	$ 123,842	$ 384,166

	May 31, 2016		
	Unrestricted	Temporarily Restricted	Total
Investment income–interest and dividends	$ 146,522	$ 102,191	$ 248,713
Realized and unrealized losses	(107,611)	(204,345)	(311,956)
Actuarial adjustments	858,928	(88,383)	770,545
Advisory fees and other expenses	(38,270)	(23,740)	(62,010)
Payments to income beneficiaries	(701,663)	(142,228)	(843,891)
	$ 157,906	$ (356,505)	$ (198,599)

9. NET ASSETS:

Net assets consists of:

	May 31, 2017	May 31, 2016
Unrestricted:		
Undesignated:		
Headquarters	$ (740,556)	$ (1,405,123)
State and local level	8,241,587	7,043,300
International	2,022,813	2,094,000
	9,523,844	7,732,177
Unfunded employee benefit obligations	(434,686)	(435,774)
Life income (annuities)	1,168,443	907,688
Deferred compensation plan	-	5,961
	10,257,601	8,210,052
Board designated:		
Administrative	9,494,026	8,554,485
Annuity reserve	966,542	872,725
Nonqualified pension plan	12,407	(17,241)
	10,472,975	9,409,969
Net investment in property, plant, and equipment	6,484,001	7,368,252
	$ 27,214,577	$ 24,988,273
Temporarily restricted:		
Charitable remainder trusts	$ 2,072,636	$ 1,795,860
Sarah F. Szekely fund	551,524	537,276
Other temporarily restricted assets	255,366	-
	$ 2,879,526	$ 2,333,136
Permanently restricted:		
General endowment	$ 4,813,026	$ 4,334,173
Special scripture endowment	2,363,762	2,174,897
	$ 7,176,788	$ 6,509,070

10. 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.

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 participants contribution but not to exceed 4% 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 5 years of employment.

The Organization’s contributions to the Plan amounted to approximately $628,000 and $817,000 for the years ended May 31, 2017 and 2016, respectively.

NONQUALIFIED PENSION PLAN

The Organization maintains a nonqualified pension plan (designated fund) established prior to the adoption of the defined contribution plan. 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 five percent (5.0%) or one percent (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.

10. EMPLOYEE BENEFIT OBLIGATIONS, continued:

NONQUALIFIED PENSION PLAN, continued
At May 31, 2017 and 2016, the applicable percentage was 5.0%. Accordingly, the Organization has reflected the liability to the nonqualified pension plan participants of $2,133,216 and $2,205,451, respectively, with employee benefit obligations in the accompanying statements of financial position as of May 31, 2017.

DEFERRED COMPENSATION PLAN
The Organization established a deferred compensation plan for eligible members of management. Under the plan, participants may defer up to 100% of their compensation. In addition, the Organization makes contributions equal to the amount by which the contribution that would have been made to the defined contribution plan if the employee did not contribute to the deferred compensation plan. The participants are also entitled to receive earnings from the investment of the deferred compensation. As of May 31, 2017 and 2016, seven members of management have elected to participate in the plan resulting in a liability to the participants of approximately $439,000 and $426,000, respectively. These plan investments are included with short–term operating investments of the Organization, and the liability to participants is included in employee benefit obligations in the accompanying statements of financial position as of May 31, 2017. The plan was terminated in October 2016. Final distributions of assets to participants will be made in October 2017.

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 ranging between $5,000 and $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 – Retireme Benefits* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The following sets forth the plan's funded status and amounts recognized in the statements of financial position:

The benefit obligation of the plan was $434,686 and $435,774 as of May 31, 2017 and 2016, 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.

	May 31,	
	2017	2016
Net periodic benefit cost	$ 75,620	$ 77,406
Employer contributions	$ 26,294	$ 25,489
Benefit payments	$ 26,294	$ 25,489

10. EMPLOYEE BENEFIT OBLIGATIONS, continued:

POSTRETIREMENT BENEFITS, continued
Components of net periodic benefit cost are as follows:

	May 31, 2017	May 31, 2016
Service cost	$ 3,695	$ 4,739
Interest cost	17,025	17,111
Amortization of transition obligation	23,006	23,006
Amortization of unrecognized net loss	31,894	32,550
Net periodic benefit cost	$ 75,620	$ 77,406

Assumptions used in determining the preceding information for the years ended May 31, 2017 and 2016, are as follows:

Discount rate	4.00%
Retirement age	65 or current age if later
Annual pay increases for active employees	2.50%
Mortality	2014 Group Annuity Mortality Table

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

Years Ending May 31,	
2018	$ 29,486
2019	28,673
2020	27,868
2021	29,158
Thereafter	169,486
	$ 284,671

11. COMMITMENTS:

As of May 31, 2017 and 2016, the Organization has entered into commitments for the purchase of approximately 66,460,000 and 43,610,000 scriptures, respectively, amounting to approximately $64,511,000 and $47,600,000, respectively. In addition, the Organization has entered into commitments for the purchase of various raw materials amounting to approximately $265,000 and $6,100,000, as of May 31, 2017 and 2016, respectively.

12. RELATED PARTY TRANSACTIONS:

The Organization received $33,140,368 and $34,147,388 of scripture and administrative fund remittances from worldwide National Associations and IOCs, of which $21,054,420 and $19,367,015 was used in country by certain National Associations and $12,085,948 and $14,780,373 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, 2017 and 2016, respectively.

13. 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 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 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, 2017:

	Fair Value Measurements at			
	Level 1	Level 2	Level 3	Total
Short–term operating investments:				
Board designated:				
Mutual funds:				
Income	$ 2,105,061	$ -	$ -	$ 2,105,061
Growth	1,982,854	-	-	1,982,854
Value	1,746,355	-	-	1,746,355
Balanced	2,079,618	-	-	2,079,618
International	514,974	-	-	514,974
Index	412,262	-	-	412,262
	8,841,124	-	-	8,841,124
US government obligations	957,498	834,887	-	1,792,385
Corporate bonds	-	1,385,501	-	1,385,501
Municipal bonds	-	210,372	-	210,372
	$ 9,798,622	$ 2,430,760	$ -	$ 12,229,382

13. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at			
	Level 1	Level 2	Level 3	Total
Other assets:				
Cash surrender value of life insurance	$ -	$ 2,322,212	$ -	$ 2,322,212
Assets held for long–term purposes:				
Cash and cash equivalents	$ 43,500	$ -	$ -	$ 43,500
Mutual funds:				
Income	3,785,046	-	-	3,785,046
Growth	3,214,725	-	-	3,214,725
Value	1,956,042	-	-	1,956,042
Balanced	2,031,123	-	-	2,031,123
International	289,146	-	-	289,146
Index	2,185,122	-	-	2,185,122
	13,461,204	-	-	13,461,204
Common stock	2,928,722	-	-	2,928,722
US government obligations	413,201	1,013,115	-	1,426,316
Corporate bonds	-	1,997,569	-	1,997,569
Annuity contracts	-	-	5,504,278	5,504,278
Mortgage note receivable–net	153,161	-	-	153,161
Real estate held for investment	-	103,713	-	103,713
	$ 16,999,788	$ 3,114,397	$ 5,504,278	$ 25,618,463

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Notes to Financial Statements

May 31, 2017 and 2016

13. FAIR VALUE MEASUREMENTS, continued:

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, 2016:

	Fair Value Measurements at			
	Level 1	Level 2	Level 3	Total
Short–term operating investments:				
Board designated:				
Mutual funds:				
Income	$ 1,866,214	$ -	$ -	$ 1,866,214
Growth	1,767,838	-	-	1,767,838
Value	1,638,782	-	-	1,638,782
Balanced	1,932,035	-	-	1,932,035
International	483,384	-	-	483,384
Index	428,624	-	-	428,624
	8,116,877	-	-	8,116,877
US government obligations	693,208	941,699	-	1,634,907
Corporate bonds	-	1,352,546	-	1,352,546
Municipal bonds	-	204,148	-	204,148
	$ 8,810,085	$ 2,498,393	$ -	$ 11,308,478
Other assets:				
Cash surrender value of life insurance	$ -	$ 2,205,124	$ -	$ 2,205,124

13. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at			
	Level 1	Level 2	Level 3	Total
Assets held for long–term purposes:				
Cash and cash equivalents	$ 24,722	$ -	$ -	$ 24,722
Mutual funds:				
Income	3,249,059	-	-	3,249,059
Growth	2,431,379	-	-	2,431,379
Value	1,749,348	-	-	1,749,348
Balanced	1,965,794	-	-	1,965,794
International	252,333	-	-	252,333
Index	1,900,534	-	-	1,900,534
	11,548,447	-	-	11,548,447
Common stock	2,799,727	-	-	2,799,727
US government obligations	400,600	792,110	-	1,192,710
Corporate bonds	-	1,937,291	-	1,937,291
Annuity contracts	-	-	5,684,396	5,684,396
Mortgage note receivable–net	151,328	-	-	151,328
Real estate held for investment	-	152,000	-	152,000
	$ 14,924,824	$ 2,881,401	$ 5,684,396	$ 23,490,621

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

The fair values of common stock, US government obligations, and mutual funds are based on quoted market prices, when available. The carrying amount of cash and cash equivalents and mortgage note receivable approximate fair value because of the terms and relatively short maturity.

13. FAIR VALUE MEASUREMENTS, continued:

Level 2 Fair Value Measurements
The fair values of corporate and municipal bonds are based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of the cash surrender value of life insurance is based on the Organization's share of the cash surrender value of the respective life insurance policy as represented by the insurance company. 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.

Level 3 Fair Value Measurements
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 following table provides further detail of the Level 3 fair value measurements as of May 31, 2016:

	Annuity Contracts
Balance, June 1, 2016	$ 5,684,396
Purchase of new annuity contracts	81,747
Change in present value of annuity contracts	(261,865)
Balance, May 31, 2017	$ 5,504,278
Balance, June 1, 2015	$ 5,899,926
Purchase of new annuity contracts	151,067
Change in present value of annuity contracts	(366,597)
Balance, June 1, 2016	$ 5,684,396

Changes in valuation techniques – None.

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, 2017 and 2016, there were no transfers in or out of Levels 1, 2, or 3.

14. ENDOWMENT FUNDS:

The Organization's endowments consist of (a) General Endowment fund: a portion of life membership dues and all permanently restricted contributions received constitute the 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; and (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. Its endowment consists of donor–restricted endowment funds. As required by United States generally accepted accounting principles, net assets associated with endowment funds, including 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 cabinet has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor–restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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.

14. ENDOWMENT FUNDS, continued:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor–restricted endowment funds	$ -	$ -	$ 7,176,788	$ 7,176,788

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 1, 2016	$ -	$ -	$ 6,509,070	$ 6,509,070
Investment return:				
Interest and dividends	-	4,816	32,878	37,694
Net realized gains	-	11,042	43,114	54,156
Net unrealized gains	-	-	482,120	482,120
Investment expenses	-	-	(37,264)	(37,264)
Total investment return	-	15,858	520,848	536,706
Contributions	-	-	146,870	146,870
Amounts appropriated for expenditure	-	(15,858)	-	(15,858)
Endowment net assets, May 31, 2017	$ -	$ -	$ 7,176,788	$ 7,176,788

14. ENDOWMENT FUNDS, continued:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor–restricted endowment funds	$ -	$ -	$ 6,509,070	$ 6,509,070

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 1, 2015	$ -	$ -	$ 6,195,890	$ 6,195,890
Investment return:				
Interest and dividends	-	4,816	29,935	34,751
Net realized losses	-	-	(61,182)	(61,182)
Net unrealized losses			(120,443)	(120,443)
Investment expenses	-	-	(33,570)	(33,570)
Total investment return	-	4,816	(185,260)	(180,444)
Contributions	-	-	498,440	498,440
Amounts appropriated for expenditure	-	(4,816)	-	(4,816)
Endowment net assets, May 31, 2016	$ -	$ -	$ 6,509,070	$ 6,509,070

At May 31, 2017 and 2016, permanently restricted net assets consist of the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA.

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.

15. SUBSEQUENT EVENTS:

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