



Financial Statements

May 31, 2018 and 2017

**THE GIDEONS INTERNATIONAL
FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017**

Table of Contents

	<u>Page Number</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	8
Notes to Financial Statements	10

BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

International Finance Committee
The Gideons International

Report on the Financial Statements

We have audited the accompanying financial statements of The Gideons International, which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and cash flows for the year 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 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 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matter

The financial statements of The Gideons International for the year ended May 31, 2017, before they were restated for the matters discussed in Note 15 to the financial statements, were audited by other auditors, whose report, dated July 5, 2017, expressed an unmodified opinion on those statements.

As part of our audit of the May 31, 2018, financial statements, we also audited the adjustments described in Note 15 that were applied to restate the May 31, 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the May 31, 2017 financial statements of The Gideons International other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the May 31, 2017 financial statements as a whole.

Blankenship CPA Group, PLLC

July 9, 2018

THE GIDEONS INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2018 AND 2017

ASSETS

	2018	2017
Assets		
Cash and cash equivalents	\$ 23,456,615	\$ 13,587,809
Short-term operating investments	12,252,544	12,229,382
Other assets	6,503,086	5,626,580
Property and equipment, net	5,993,857	6,484,001
Assets held for long-term purposes	27,331,821	25,618,463
Total assets	\$ 75,537,923	\$ 63,546,235

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 8,840,669	\$ 7,697,400
Employee benefit obligations	2,424,375	3,066,997
Annuities and trusts payable	13,322,919	13,531,456
Total liabilities	24,587,963	24,295,853
Net assets:		
Unrestricted:		
Undesignated	23,112,595	12,237,092
Board designated	16,033,646	14,968,118
Net investment in property and equipment	5,993,857	6,484,001
	45,140,098	33,689,211
Temporarily restricted	3,061,863	2,884,341
Permanently restricted	2,747,999	2,676,830
Total net assets	50,949,960	39,250,382
Total liabilities and net assets	\$ 75,537,923	\$ 63,546,235

See accompanying notes to financial statements.

**THE GIDEONS INTERNATIONAL
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue and net assets released from restrictions:				
Support:				
Contributions:				
Headquarters	\$ 94,775,536	\$ -	\$ 4,666	\$ 94,780,202
Held at state and local level	9,794,165	-	-	9,794,165
International, net of \$22,149,737 for use at the National Association level	12,924,573	-	-	12,924,573
	<u>117,494,274</u>	<u>-</u>	<u>4,666</u>	<u>117,498,940</u>
Revenue:				
Dues income	5,892,671	-	-	5,892,671
Investment income	1,191,205	75,119	66,503	1,332,827
Merchandise sales, net of \$909,634 for purchases made at the state and local level	2,084,291	-	-	2,084,291
Other income	43,868	-	-	43,868
	<u>9,212,035</u>	<u>75,119</u>	<u>66,503</u>	<u>9,353,657</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	44,940	(44,940)	-	-
	<u>126,751,249</u>	<u>30,179</u>	<u>71,169</u>	<u>126,852,597</u>
Operating support and revenue				
Expenses:				
Program services:				
Scripture purchases and distribution	86,685,296	-	-	86,685,296
Membership support and development	11,179,345	-	-	11,179,345
State and local level	10,651,621	-	-	10,651,621
	<u>108,516,262</u>	<u>-</u>	<u>-</u>	<u>108,516,262</u>
Supporting activities:				
Management and general	3,350,419	-	-	3,350,419
Fund-raising	3,497,343	-	-	3,497,343
	<u>6,847,762</u>	<u>-</u>	<u>-</u>	<u>6,847,762</u>
Operating expenses	<u>115,364,024</u>	<u>-</u>	<u>-</u>	<u>115,364,024</u>
Change in net assets from operations	<u>11,387,225</u>	<u>30,179</u>	<u>71,169</u>	<u>11,488,573</u>

See accompanying notes to financial statements.

**THE GIDEONS INTERNATIONAL
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED MAY 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Nonoperating activities:				
Actuarial adjustment on annuity obligations and payments to donors	\$ 166,587	\$ 147,343	\$ -	\$ 313,930
Nonqualified pension plan expense	(102,925)	-	-	(102,925)
Change in net assets from nonoperating activities	<u>63,662</u>	<u>147,343</u>	<u>-</u>	<u>211,005</u>
Change in net assets	11,450,887	177,522	71,169	11,699,578
Net assets, beginning of year	<u>33,689,211</u>	<u>2,884,341</u>	<u>2,676,830</u>	<u>39,250,382</u>
Net assets, end of year	<u>\$ 45,140,098</u>	<u>\$ 3,061,863</u>	<u>\$ 2,747,999</u>	<u>\$ 50,949,960</u>

See accompanying 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	\$ 92,275,841	\$ 408,449	\$ 35,270	\$ 92,719,560
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
	<u>116,694,282</u>	<u>408,449</u>	<u>35,270</u>	<u>117,138,001</u>
Revenue:				
Dues income	6,101,794	-	-	6,101,794
Investment income	1,760,542	54,912	34,037	1,849,491
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
	<u>10,158,265</u>	<u>54,912</u>	<u>34,037</u>	<u>10,247,214</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	45,627	(45,627)	-	-
	<u>126,898,174</u>	<u>417,734</u>	<u>69,307</u>	<u>127,385,215</u>
Operating support and revenue				
Expenses:				
Program services:				
Scripture purchases and distribution	95,642,036	-	-	95,642,036
Membership support and development	10,189,532	-	-	10,189,532
State and local level	12,314,242	-	-	12,314,242
	<u>118,145,810</u>	<u>-</u>	<u>-</u>	<u>118,145,810</u>
Supporting activities:				
Management and general	3,147,844	-	-	3,147,844
Fund-raising	2,975,238	-	-	2,975,238
	<u>6,123,082</u>	<u>-</u>	<u>-</u>	<u>6,123,082</u>
Operating expenses				
	<u>124,268,892</u>	<u>-</u>	<u>-</u>	<u>124,268,892</u>
Change in net assets from operations	<u>2,629,282</u>	<u>417,734</u>	<u>69,307</u>	<u>3,116,323</u>

See accompanying notes to financial statements.

THE GIDEONS INTERNATIONAL
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED MAY 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>150,865</u>	<u>123,842</u>	<u>-</u>	<u>274,707</u>
Change in net assets	<u>2,780,147</u>	<u>541,576</u>	<u>69,307</u>	<u>3,391,030</u>
Net assets, beginning of year	24,988,273	2,333,136	6,509,070	33,830,479
Restatement of net assets	<u>5,920,791</u>	<u>9,629</u>	<u>(3,901,547)</u>	<u>2,028,873</u>
Net assets, beginning of year, as restated	<u>30,909,064</u>	<u>2,342,765</u>	<u>2,607,523</u>	<u>35,859,352</u>
Net assets, end of year	<u>\$ 33,689,211</u>	<u>\$ 2,884,341</u>	<u>\$ 2,676,830</u>	<u>\$ 39,250,382</u>

See accompanying notes to financial statements.

**THE GIDEONS INTERNATIONAL
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2018 AND 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 11,699,578	\$ 3,391,030
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	786,555	1,241,929
Loss on disposal of property and equipment	52,295	95,203
Noncash contributions	(310,750)	(578,359)
Proceeds from sales of noncash contributions	319,064	548,735
Allowance for mortgage notes receivable	-	(222,108)
Allowance for obsolete inventory	100,000	-
Adjustment to fair market value of investment	150,000	-
Earnings on cash surrender value	(174,828)	(117,088)
Contributions restricted for long term investment	(4,666)	(35,270)
Realized and unrealized gain on investments	(1,415,839)	(1,080,460)
Actuarial change in charitable gift annuities and trusts	(577,533)	(470,667)
Maturities of charitable gift annuities and trusts	(256,000)	(63,348)
Payments on charitable gift annuities	1,070,883	1,006,349
Change in:		
Other assets	(968,354)	521,219
Accounts payable and accrued expenses	1,143,269	(5,251,461)
Employee benefit obligations	(642,622)	(43,628)
Net cash provided (used) by operating activities	10,971,052	(1,057,924)
Cash flows from investing activities:		
Purchases of property and equipment	(369,206)	(452,881)
Proceeds from disposal of property and equipment	20,500	-
Purchases of investments	(4,516,051)	(1,091,976)
Proceeds from sales and maturities of investments	4,265,287	(876,310)
Collection of mortgage notes receivable	13,995	105,775
Net cash used by investing activities	(585,475)	(2,315,392)

See accompanying notes to financial statements.

THE GIDEONS INTERNATIONAL
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

	2018	2017
Cash flows from financing activities:		
Proceeds from new annuities and trusts	\$ 847,532	\$ 1,495,204
Payments on annuities and trusts	(1,070,883)	(1,006,349)
Gift portion of new split interest agreements	(298,086)	(497,111)
Contributions restricted for long term investment	4,666	35,270
Net cash (used) provided by financing activities	(516,771)	27,014
Change in cash and cash equivalents	9,868,806	(3,346,302)
Cash and cash equivalents, beginning of year	13,587,809	16,934,111
Cash and cash equivalents, end of year	\$ 23,456,615	\$ 13,587,809
Supplemental disclosure:		
Cash and cash equivalents is held at:		
Headquarters	\$ 13,107,874	\$ 3,349,762
State and local level	8,428,488	8,241,587
International	1,920,253	1,996,460
	\$ 23,456,615	\$ 13,587,809

See accompanying notes to financial statements.

**THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2018 AND 2017**

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, 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 more than 3,000 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.

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.

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 revenue of the Organization.

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. See Note 16.

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 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 accounting principles generally accepted in the United States of America 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.

Other Assets

Other assets consist of cash surrender value of life insurance policies, inventories, mortgage notes receivable, a nonmajority interest in a limited liability company, 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 and scriptures (including raw materials) that have been purchased but not released for distribution.

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, the 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 the 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, 2018 and 2017.

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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 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.

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 the Organization's operations. Board designated amounts have been designated by the board for administrative, annuity reserve, and nonqualified pension plan. Investment in property 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 and equipment or are time restricted.

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

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017, merchandise sales revenue is recorded gross of cost of merchandise sales expense of \$2,723,298 and \$2,837,134, respectively, which is included with program services expenses in the accompanying statements of activities.

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.

Noncash contributions consist of securities recognized at 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 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, 2018, the Organization has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination.

Adoption of Accounting Standards Update 2015-11

On June 1, 2017, the Organization adopted *Accounting Standards Update (“ASU”) 2015-11 Simplifying the Measurement of Inventory*. Under the newly adopted ASU, inventory is required to be measured at the lower of cost and net realizable value. There was no significant impact to the financial statements related to this adoption.

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to 2018 presentation.

NOTE 3 - SHORT-TERM OPERATING INVESTMENTS

Short term operating investments at fair value consist of:

	May 31,	
	2018	2017
Mutual funds	\$ 8,784,945	\$ 8,841,124
U.S. government obligations	1,860,494	1,792,385
Corporate bonds	1,518,368	1,385,501
Municipal bonds	88,737	210,372
	\$ 12,252,544	\$ 12,229,382

Short term operating investments are held for:

	May 31,	
	2018	2017
Undesignated	\$ 102,972	\$ 98,163
Board designated administrative	10,222,585	9,557,082
Board designated nonqualified pension plan	1,926,987	2,145,624
Deferred compensation plan	-	428,513
	\$ 12,252,544	\$ 12,229,382

Investment income on short term operating investments consists of:

	May 31,	
	2018	2017
Interest and dividends	\$ 271,647	\$ 440,815
Net realized gain	523,954	86,724
Net unrealized gains	8,366	778,585
Investment expenses	(116,386)	(160,470)
	\$ 687,581	\$ 1,145,654

Note 13 provides additional information about short term operating investments.

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 4 - OTHER ASSETS

Other assets consists of:

	May 31,	
	2018	2017
Cash surrender value of life insurance	\$ 2,497,040	\$ 2,322,212
Inventories	1,898,396	1,307,743
Mortgage notes receivable, net	735,261	751,937
Investment in limited liability company	653,646	803,646
Prepaid expenses	590,320	299,513
Other miscellaneous receivables	128,423	141,529
	<u>\$ 6,503,086</u>	<u>\$ 5,626,580</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	May 31,	
	2018	2017
Land	\$ 884,443	\$ 884,443
Building	6,565,008	6,309,920
Furniture and equipment	11,060,590	11,105,990
	<u>18,510,041</u>	<u>18,300,353</u>
Less: accumulated depreciation	(12,738,965)	(12,028,927)
	<u>5,771,076</u>	<u>6,271,426</u>
Construction in progress	222,781	212,575
	<u>\$ 5,993,857</u>	<u>\$ 6,484,001</u>

NOTE 6 - ASSETS HELD FOR LONG-TERM PURPOSES

Assets held for long term purposes consists of:

	May 31,	
	2018	2017
Cash and cash equivalents	\$ 208,109	\$ 43,500
Mutual funds	14,812,483	13,461,204
Equities	3,176,107	2,928,722
U.S. government obligations	1,465,072	1,426,316
Corporate bonds	2,005,963	1,997,569
Municipal bonds	60,639	-
Annuity contracts	5,343,893	5,504,278
Mortgage notes receivable, net	155,842	153,161
Real estate held for investment	103,713	103,713
	<u>\$ 27,331,821</u>	<u>\$ 25,618,463</u>

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 6 - ASSETS HELD FOR LONG-TERM PURPOSES (CONTINUED)

Investment income (loss) on assets held for long term purposes for the year ended May 31, 2018, consists of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 211,000	\$ 18,934	\$ 42,312	\$ 272,246
Net realized gain	312,619	26,656	46,153	385,428
Net unrealized gain (loss)	15,943	31,344	(18,442)	28,845
Investment expenses	(35,938)	(1,815)	(3,520)	(41,273)
	<u>\$ 503,624</u>	<u>\$ 75,119</u>	<u>\$ 66,503</u>	<u>\$ 645,246</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 148,087	\$ 10,804	\$ 7,138	\$ 166,029
Net realized gain	38,517	17,215	10,327	66,059
Net unrealized gain	462,048	28,628	20,072	510,748
Investment expenses	(33,764)	(1,735)	(3,500)	(38,999)
	<u>\$ 614,888</u>	<u>\$ 54,912</u>	<u>\$ 34,037</u>	<u>\$ 703,837</u>

Assets held for long term purposes consists of:

	May 31,	
	2018	2017
Annuity investments	\$ 13,481,966	\$ 12,455,090
Endowment investments	7,649,133	7,089,381
Trust assets	5,358,843	5,267,102
Sarah F. Szekely Fund term endowment	555,251	551,524
Other temporarily restricted assets	286,628	255,366
	<u>\$ 27,331,821</u>	<u>\$ 25,618,463</u>

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

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 7 - ANNUITIES PAYABLE

Annuities payable consists of:

	May 31,	
	2018	2017
Computed present value:		
Gift annuity fund	\$ 4,840,167	\$ 4,832,712
Reinsured gift annuity contracts	5,343,893	5,504,278
	<u>\$ 10,184,060</u>	<u>\$ 10,336,990</u>

NOTE 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,	
	2018	2017
Trust assets (at fair value):		
Cash and cash equivalents	\$ 10,070	\$ 8,439
Investments	5,089,218	5,001,789
Mortgage notes receivable, net	155,842	153,161
Real estate held for investment	103,713	103,713
	<u>\$ 5,358,843</u>	<u>\$ 5,267,102</u>
Trust liabilities and net assets:		
Present value of expected payments to beneficiaries	\$ 3,138,859	\$ 3,194,466
Trust net assets	2,219,984	2,072,636
	<u>\$ 5,358,843</u>	<u>\$ 5,267,102</u>

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 8 - TRUST ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

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, 2018 and 2017, these changes include:

	May 31, 2018		
	Unrestricted	Temporarily Restricted	Total
Investment income - interest and dividends	\$ 219,187	\$ 236,588	\$ 455,775
Realized and unrealized gains	289,117	145,326	434,443
Actuarial adjustments	521,926	55,607	577,533
Advisory fees and other expenses	(45,573)	(37,365)	(82,938)
Payments to income beneficiaries	(818,070)	(252,813)	(1,070,883)
	\$ 166,587	\$ 147,343	\$ 313,930
	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

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 9 - NET ASSETS

Net assets consists of:

	May 31,	
	2018	2017
Unrestricted:		
Undesignated:		
Headquarters	\$ 7,268,672	\$ 1,238,935
State and local level	8,248,488	8,241,587
International	6,686,765	2,022,813
	<u>22,203,925</u>	<u>11,503,335</u>
Unfunded employee benefit obligations	(426,795)	(434,686)
Life income (annuities)	1,335,465	1,168,443
	<u>23,112,595</u>	<u>12,237,092</u>
Board designated:		
Administrative	10,131,719	9,494,026
Annuity reserve	968,033	966,542
General endowment	4,502,941	4,161,935
Special scripture endowment	430,953	333,208
Nonqualified pension plan	-	12,407
	<u>16,033,646</u>	<u>14,968,118</u>
Net investment in property and equipment	<u>5,993,857</u>	<u>6,484,001</u>
	<u>\$ 45,140,098</u>	<u>\$ 33,689,211</u>
Temporarily restricted:		
Charitable remainder trusts	\$ 2,219,984	\$ 2,072,636
Sarah F. Szekely Fund term endowment	555,251	551,524
Special scripture endowment	-	4,815
Other temporarily restricted assets	286,628	255,366
	<u>\$ 3,061,863</u>	<u>\$ 2,884,341</u>
Permanently restricted:		
General endowment	\$ 649,769	\$ 651,091
Special scripture endowment	2,098,230	2,025,739
	<u>\$ 2,747,999</u>	<u>\$ 2,676,830</u>

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 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 participant contributions 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 five years of employment.

The Organization's contributions to the Plan amounted to approximately \$624,000 and \$628,000 for the years ended May 31, 2018 and 2017, 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 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.

At May 31, 2018 and 2017, the applicable percentage was 5.0%. Accordingly, the Organization has reflected the liability to the nonqualified pension plan participants of \$1,946,260 and \$2,133,216, respectively, with employee benefit obligations in the accompanying statements of financial position as of May 31, 2018 and 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, seven members of management have elected to participate in the plan resulting in a liability to the participants of approximately \$439,000. 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 were made in October 2017.

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 10 - EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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 Retirement 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 \$426,795 and \$434,686 as of May 31, 2018 and 2017, 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,	
	2018	2017
Net periodic benefit cost	\$ 77,406	\$ 75,620
Employer contributions	\$ 28,611	\$ 26,294
Benefit payments	\$ 28,611	\$ 26,294

Components of net periodic benefit cost are as follows:

	May 31,	
	2018	2017
Service cost	\$ 4,739	\$ 3,695
Interest cost	17,111	17,025
Amortization of transition obligation	23,006	23,006
Amortization of unrecognized net loss	32,550	31,894
Net periodic benefit cost	\$ 77,406	\$ 75,620

Assumptions used in determining the preceding information for the years ended May 31, 2018 and 2017, are as follows:

Discount rate	4.00%
Retirement age	65 or current age if later
Annual pay increases for active employees	3.00%
Mortality	2014 Group Annuity Mortality Table

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 10 - EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Postretirement Benefits (Continued)

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

<u>Years ending May 31,</u>		
2019	\$	27,868
2020		29,158
2021		36,132
2022		35,093
2023		33,938
Thereafter		<u>151,015</u>
	<u>\$</u>	<u>313,204</u>

NOTE 11 - COMMITMENTS

As of May 31, 2018 and 2017, the Organization has entered into commitments for the purchase of approximately 58,720,000 and 66,460,000 scriptures, respectively, amounting to approximately \$57,044,000 and \$64,511,000, respectively. In addition, the Organization has entered into commitments for the purchase of various raw materials amounting to approximately \$265,000, as of May 31, 2017. All commitments are expected to be fulfilled by May 31, 2019.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Organization received \$35,074,310 and \$33,140,368 of scripture and administrative fund remittances from worldwide National Associations and IOCs, of which \$22,149,737 and \$21,054,420 was used in country by certain National Associations and \$12,924,573 and \$12,085,948 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, 2018 and 2017, respectively.

NOTE 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 GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 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, 2018:

	Fair Value Measurements at			Total
	Level 1	Level 2	Level 3	
Short-term operating investments:				
Board designated:				
Mutual funds:				
Income	\$ 1,603,171	\$ -	\$ -	\$ 1,603,171
Growth	2,328,973	-	-	2,328,973
Value	1,904,878	-	-	1,904,878
Balanced	2,013,528	-	-	2,013,528
International	562,961	-	-	562,961
Index	371,434	-	-	371,434
	<u>8,784,945</u>	<u>-</u>	<u>-</u>	<u>8,784,945</u>
U.S. government obligations	1,403,752	456,742	-	1,860,494
Corporate bonds	-	1,518,368	-	1,518,368
Municipal bonds	-	88,737	-	88,737
	<u>\$ 10,188,697</u>	<u>\$ 2,063,847</u>	<u>\$ -</u>	<u>\$ 12,252,544</u>
Other assets:				
Cash surrender value of life insurance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,497,040</u>	<u>\$ 2,497,040</u>

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value Measurements at			Total
	Level 1	Level 2	Level 3	
Assets held for long-term purposes:				
Cash and cash equivalents	\$ 208,109	\$ -	\$ -	\$ 208,109
Mutual funds:				
Income	4,117,928	-	-	4,117,928
Growth	4,414,715	-	-	4,414,715
Value	1,903,127	-	-	1,903,127
Balanced	2,443,262	-	-	2,443,262
International	1,896,967	-	-	1,896,967
Index	36,484	-	-	36,484
	<u>14,812,483</u>	<u>-</u>	<u>-</u>	<u>14,812,483</u>
Equities	3,176,107	-	-	3,176,107
U.S. government obligations	337,898	1,127,174	-	1,465,072
Corporate bonds	-	2,005,963	-	2,005,963
Municipal bonds	-	60,639	-	60,639
Annuity contracts	-	-	5,343,893	5,343,893
Mortgage note receivable, net	-	-	155,842	155,842
Real estate held for investment	-	-	103,713	103,713
	<u>\$ 18,534,597</u>	<u>\$ 3,193,776</u>	<u>\$ 5,603,448</u>	<u>\$ 27,331,821</u>

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 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, 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
	<u>8,841,124</u>	<u>-</u>	<u>-</u>	<u>8,841,124</u>
U.S. government obligations	957,498	834,887	-	1,792,385
Corporate bonds	-	1,385,501	-	1,385,501
Municipal bonds	-	210,372	-	210,372
	<u>\$ 9,798,622</u>	<u>\$ 2,430,760</u>	<u>\$ -</u>	<u>\$ 12,229,382</u>
Other assets:				
Cash surrender value of life insurance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,322,212</u>	<u>\$ 2,322,212</u>

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value Measurements at			Total
	Level 1	Level 2	Level 3	
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
	<u>13,461,204</u>	<u>-</u>	<u>-</u>	<u>13,461,204</u>
Equities	2,928,722	-	-	2,928,722
U.S. 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 notes receivable, net	-	-	153,161	153,161
Real estate held for investment	-	-	103,713	103,713
	<u>\$ 16,846,627</u>	<u>\$ 3,010,684</u>	<u>\$ 5,761,152</u>	<u>\$ 25,618,463</u>

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, U.S. 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.

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2018 and 2017:

	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 June 1, 2017	5,504,278
Purchase of new annuity contracts	22,532
Change in present value of annuity contracts	(182,917)
Balance May 31, 2018	\$ 5,343,893

Changes in valuation techniques – None.

There were no significant changes in other level 3 assets during the years ended May 31, 2018 and 2017.

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, 2018 and 2017, there were no transfers in or out of Levels 1, 2, or 3.

NOTE 14 - 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.

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 14 - ENDOWMENT FUNDS (CONTINUED)

(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, by which all principal may be used for the Organization's operations. The fund will distribute a total of 7% 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 accounting principles generally accepted in the United States of America, 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 cabinet 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 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 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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 4,933,894	\$ -	\$ -	\$ 4,933,894
Donor restricted endowment funds	-	555,251	2,747,999	3,303,250
	<u>\$ 4,933,894</u>	<u>\$ 555,251</u>	<u>\$ 2,747,999</u>	<u>\$ 8,237,144</u>

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 14 - ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for year ended May 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 1, 2017	\$ 4,495,143	\$ 556,339	\$ 2,676,830	\$ 7,728,312
Investment return:				
Interest and dividends	211,000	10,869	42,312	264,181
Net realized gain	312,619	10,115	46,153	368,887
Net unrealized gain (loss)	15,943	24,688	(18,442)	22,189
Investment expenses	(35,938)	(1,815)	(3,520)	(41,273)
Total investment return	503,624	43,857	66,503	613,984
Additional board designations	123,960	-	-	123,960
Contributions	-	-	4,666	4,666
Amounts appropriated for expenditure	(188,833)	(44,945)	-	(233,778)
Endowment net assets, May 31, 2018	\$ 4,933,894	\$ 555,251	\$ 2,747,999	\$ 8,237,144

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 4,495,143	\$ -	\$ -	\$ 4,495,143
Donor restricted endowment funds	-	556,339	2,676,830	3,233,169
	\$ 4,495,143	\$ 556,339	\$ 2,676,830	\$ 7,728,312

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 14 - ENDOWMENT FUNDS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 1, 2016, as restated	\$ 3,891,915	\$ 546,905	\$ 2,607,523	\$ 7,046,343
Investment return:				
Interest and dividends	148,087	10,804	7,138	166,029
Net realized gain	38,517	17,215	10,327	66,059
Net unrealized gain	462,048	28,628	20,072	510,748
Investment expenses	(33,764)	(1,735)	(3,500)	(38,999)
Total investment return	614,888	54,912	34,037	703,837
Additional board designations	111,600	-	-	111,600
Contributions	5,582	-	35,270	40,852
Amounts appropriated for expenditure	(128,842)	(45,478)	-	(174,320)
Endowment net assets, May 31, 2017	\$ 4,495,143	\$ 556,339	\$ 2,676,830	\$ 7,728,312

At May 31, 2018 and 2017, 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 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 15 - RESTATEMENT OF NET ASSETS

The Organization has restated its previously issued 2017 and 2016 financial statements to correct errors related to the following previously reported items: rebates due to state associations and auxiliary, membership support and development expenses, and net assets. The total increase to net assets at June 1, 2016 was \$2,028,873.

The following is a summary of the restatement for 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets as of June 1, 2016	\$ 24,988,273	\$ 2,333,136	\$ 6,509,070	\$ 33,830,479
Restatement of net assets	5,920,791	9,629	(3,901,547)	2,028,873
Net assets as of June 1, 2016, as restated	\$ 30,909,064	\$ 2,342,765	\$ 2,607,523	\$ 35,859,352

THE GIDEONS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED MAY 31, 2018 AND 2017

NOTE 15 - RESTATEMENT OF NET ASSETS (CONTINUED)

The effect on the Organization's previously issued 2017 financial statements is summarized as follows:

Statement of Financial Position as of May 31, 2017:

	Previously Reported	Increase (Decrease)	Restated
Liabilities	\$ 26,275,344	\$ (1,979,491)	\$ 24,295,853

Statement of Activities for the year ended May 31, 2017:

	Previously Reported	Increase (Decrease)	Restated
Contributions - Headquarters	\$ 92,943,531	\$ (223,971)	\$ 92,719,560
Dues income	\$ 5,990,194	\$ 111,600	\$ 6,101,794
Investment income	\$ 1,737,120	\$ 112,371	\$ 1,849,491
Membership support and development	\$ 10,140,150	\$ 49,382	\$ 10,189,532
Operating expenses	\$ 124,219,510	\$ 49,382	\$ 124,268,892
Change in net assets	\$ 3,440,412	\$ (49,382)	\$ 3,391,030

NOTE 16 - CONCENTRATIONS

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.

As of May 31, 2018, one vendor was owed 80% of accounts payable.

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows.

More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one "without donor-imposed restrictions" and one "with donor-imposed restrictions," which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flow statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization's liquidity.

The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 9, 2018, the date the financial statements were available to be issued.