

**UFM International in Canada
o/a Crossworld
Financial Statements
For the year ended August 31, 2018**

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Independent Auditor's Report

To the Members of
UFM International in Canada, o/a Crossworld

We have audited the accompanying financial statements of UFM International in Canada, o/a Crossworld ("Organization") which comprise the balance sheet as at August 31, 2018 and the statements of activity and fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation 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 Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 present fairly, in all material respects, the financial position of the Organization as at August 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
December 1, 2018

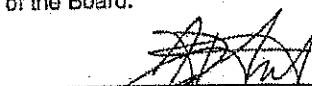
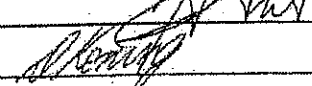
**UFM International in Canada, o/a Crossworld
Balance Sheet**

As at August 31	2018	2017
Assets		
Current		
Cash	\$ 153,112	\$ 176,709
Accounts receivable	22,629	13,957
Investments (Note 6)	2,075,066	1,894,837
Prepaid expenses	28,151	27,792
Due from related party (Note 3)	70,295	33,111
Current portion of loan receivable (Note 4)	6,030	10,239
	<u>2,355,283</u>	<u>2,156,645</u>
Loan receivable (Note 4)	6,875	13,249
Capital assets (Note 7)	336,329	323,687
	<u>\$ 2,698,487</u>	<u>\$ 2,493,581</u>

Liabilities and Fund Balances

Current		
Accounts payable and accrued liabilities	\$ 30,018	\$ 36,924
Liability for Revocable Trusts (Note 5)	2,000	2,000
	<u>32,018</u>	<u>37,924</u>
Fund Balances		
Unrestricted		
General designated board funds	794,904	764,316
Operating fund undesignated	706,213	660,379
Land, building and equipment fund	336,329	323,688
Restricted		
Joint Ministry activities fund	698,479	574,502
Other Restricted funds	130,544	132,772
	<u>2,666,469</u>	<u>2,455,657</u>
	<u>\$ 2,698,487</u>	<u>\$ 2,493,581</u>

On behalf of the Board:

 _____ Chairman **J.D. Smith**
 _____ Vice-chairman **Dave Koning**

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

UFM International in Canada, o/a Crossworld

Statement of Activity and Fund Balances

For the year ended August 31, 2018

	Unrestricted					2017 Total
	General Designated Board Funds	Operating Fund Undesignated	Land, Building and Equipment Fund	Joint Ministry Activities	Other Restricted Funds	
Support and revenue						
Donations and legacies	\$ -	\$ 16,948	\$ -	\$ 1,629,027	\$ -	\$ 1,645,975
Donations and legacies - Non-Canadian	-	265,279	-	625,116	-	890,395
Deputation, field travel and support	-	477,945	-	-	-	477,945
Interest and investment income	30,588	30,997	-	-	6,772	68,357
Rental and miscellaneous	-	18,028	-	-	-	18,028
	30,588	809,197	-	2,254,143	6,772	3,100,700
Expenditures						
International worker salaries, benefits and	-	265,385	-	2,002,688	-	2,268,073
Home office	-	434,627	-	-	-	434,627
Staff salary and expenses (Schedule)	-	138,086	-	-	-	138,086
Office and miscellaneous (Schedule)	-	28,389	-	-	-	28,389
Headquarters residence expense	-	866,487	-	2,002,688	-	2,869,175
	-	-	-	-	-	3,023,770
Other revenue (expenditures)						
Amortization	-	-	(20,713)	-	-	(20,713)
Joint ministry contributions	-	127,478	-	(127,478)	-	-
	-	127,478	(20,713)	(127,478)	-	(20,713)
Excess (deficiency) of revenue over expenditures	30,588	70,188	(20,713)	123,977	6,772	210,812
Inter-fund transfers (Note 10)	-	(24,354)	33,354	-	(9,000)	-
Fund balance, beginning of year	764,316	660,379	323,688	574,502	132,772	2,455,657
Fund balance, end of year	\$ 794,904	\$ 706,213	\$ 336,329	\$ 698,479	\$ 130,544	\$ 2,666,469

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

**UFM International in Canada, o/a Crossworld
Statement of Cash Flows**

For the year ended August 31	2018	2017
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 210,812	\$ 108,076
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Amortization	20,713	13,851
Unrealized losses on investments	477	15,724
Changes in non-cash working capital balances		
Accounts receivable	(8,672)	154
Prepaid expenses	(359)	(73)
Accounts payable and accrued liabilities	(5,906)	9,826
Due to (from) related party	(37,184)	22,175
	<u>179,881</u>	<u>169,733</u>
Investing activities		
Purchases of investments	(306,007)	(387,709)
Proceeds from sale of investments	125,301	213,355
Purchase of capital assets	(33,355)	(18,811)
Repayments of (advances from) loan receivable	10,583	(9,488)
	<u>(203,478)</u>	<u>(202,653)</u>
Decrease in cash during the year	(23,597)	(32,920)
Cash, beginning of the year	176,709	209,629
Cash, end of the year	\$ 153,112	\$ 176,709

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

UFM International in Canada, o/a Crossworld Notes to Financial Statements

August 31, 2018

1. Significant Accounting Policies

Basis of Presentation

The financial statements present the activities of the Canadian operations of UFM International (the "Organization").

The Organization has signed an Agreement of Alliance with UFM International Inc. in a joint arrangement whereby UFM International Inc. distributes funds to the fields and projects as directed by the Board of Directors of The Organization.

The Organization follows the restricted fund method of accounting for contributions.

The Organization is a registered charity and thus is not subject to income taxes.

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization recognizes contributions, which consist of donations, legacies, funds, deputations, travel and support, when the funds are received due to the uncertainty of ultimate collection of pledges.

Rental income is recognized as it is earned on a monthly basis.

Investment income in the form of dividends, income distributions, interest income and realized gains and losses on trading activities from the investments held are recognized as received or incurred. Unrealized gains and losses on financial assets are included in investment income and recognized as revenue in the statement of activity and fund balances.

Capital Assets

Capital assets are stated at cost less accumulated amortization. A provision is made for amortization of capital assets using the straight-line method over the estimated useful life of the respective assets as follows:

Buildings	-	50 years
Office and Residence Equipment	-	10 years
Computer Equipment and Software	-	3 and 7 years
Automobile	-	5 years

UFM International in Canada, o/a Crossworld Notes to Financial Statements

August 31, 2018

General Designated Board Funds	Board designated funds are internally restricted funds segregated by the Board of Directors to be used for specific purposes.
Land, Building and Equipment Fund	This fund represents the net book value of the capital assets owned by UFM International in Canada.
Joint Ministry Activities Fund	This fund represents funds received under the Joint Ministry Agreement to be expended on Joint Ministry activities. The balance in the fund represents unspent amounts for these activities.
Other Restricted Funds	<p>(i) Quebec Edifice Fund \$21,332 (2017 - \$21,437)</p> <p>This represents externally restricted funds being held to help finance future church property development in Quebec.</p> <p>(ii) Canadian Retirement Fund \$109,212 (2017 - \$111,335)</p> <p>These internally restricted funds are intended to augment the retirement income of those who have served a minimum of 20 years under UFM Canada, reached the age of 65, and retired from active service overseas or at headquarters.</p>
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value, with unrealized gains and losses recorded in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instruments for those measured at amortized cost.
Donated Services	The operation of the Organization is dependent on services donated by numerous volunteers. Since these services are not primarily purchased and because of the difficulty in determining fair value, donated services are not recognized in these financial statements.

UFM International in Canada, o/a Crossworld Notes to Financial Statements

August 31, 2018

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported periods.

2. Nature of Organization

The Organization, operating as Crossworld, is a Canadian non-profit corporation under Letters of Patent issued in the Province of Ontario. The Organization seeks to communicate the Gospel to unevangelized people everywhere with a three-fold purpose: conversion of people to the Lord Jesus Christ, discipleship which produces spiritual maturity, leadership training which will result in local reproducing churches under the authority of the Word of God.

The Organization has 30 international workers, serving in 12 countries worldwide, in various disciple-making ministries such as, but not limited to, church planting, evangelism, medical work, education and community development. International worker support includes funds for salary, housing, ministry funds and benefits.

3. Related Party Transactions

The Organization receives strategic direction and is indirectly controlled by UFM International Inc. and therefore, the entities are considered related parties.

Amounts due from a related party are unsecured, receivable on demand, bear no interest and have arisen from contributions received for Canadian international workers that are to be used according to the joint ministry agreement. During the year, donations totaling \$1,629,027 (2017 - \$1,651,512) were received and expended on joint ministry activities as detailed in Note 9.

Included in joint ministry contributions was \$127,478 (2017 - \$187,398) transferred from the joint ministry for international worker support.

These transactions are in the normal course of operations and are measured at the exchange value as agreed upon by the related parties.

UFM International in Canada, o/a Crossworld
Notes to Financial Statements

August 31, 2018

4. Loan Receivable

	<u>2018</u>	<u>2017</u>
Non-revolving, non interest bearing, unsecured, receivable in monthly instalments, maturing in December 2019.	\$ 2,280	\$ 8,800
Non-revolving, non interest bearing, unsecured, receivable in monthly instalments, maturing in June 2021.	<u>10,625</u>	<u>14,688</u>
	12,905	23,488
Less: current portion	<u>6,030</u>	<u>10,239</u>
	\$ 6,875	\$ 13,249

Principal receipts are as follows:

2019	\$ 6,030
2020	3,750
2021	<u>3,125</u>
	\$ 12,905

5. Liability for Revocable Trusts

The liability for revocable trusts represents the liability for funds deposited with the Organization, revocable according to the terms of the trust agreements. Funds to cover these trusts have been invested in RBC Mutual Funds.

UFM International in Canada, o/a Crossworld
Notes to Financial Statements

August 31, 2018

6. Investments

	2018		2017	
	Cost	Market	Cost	Market
Board Designated				
Sovereign Pooled Funds I	\$ 386,234	\$ 480,048	\$ 381,625	\$ 467,202
Watt Carmichael Inc. (Account #1)	293,782	314,856	284,565	297,114
	680,016	794,904	666,190	764,316
Restricted				
Quebec Edifice Fund	20,804	21,332	20,661	21,437
Watt Carmichael Inc. (Account #2)	99,438	109,212	105,532	111,335
	120,242	130,544	126,193	132,772
Joint Ministry / Operating fund				
RBC Investments	1,048,947	982,966	1,042,447	997,749
Sovereign Pooled Funds II	165,377	166,652	-	-
	1,214,324	1,149,618	1,042,447	997,749
	\$ 2,014,582	\$ 2,075,066	\$ 1,834,830	\$ 1,894,837

Included in interest and investment income is an unrealized loss of \$477 (2017 - \$15,724) and a realized gain on investments of \$68,834 (2017 - \$67,336).

UFM International in Canada, o/a Crossworld
Notes to Financial Statements

August 31, 2018

7. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 91,457	\$ -	\$ 91,457	\$ -
Buildings	451,991	256,144	451,991	247,104
Office and residence equipment	72,499	66,020	72,499	64,344
Computer equipment and software	23,858	11,332	23,858	4,670
Automobile	64,488	34,468	31,132	31,132
	704,293	367,964	670,937	347,250
Cost less accumulated amortization		\$ 336,329		\$ 323,687

8. Financial Instrument Risk

Market risk

Market value risk is the risk of potential loss caused by the fluctuations in fair value or future cash flows of financial instruments by changes in their underlying market value. The Organization is exposed to this risk through its investments. This risk has not changed from prior years.

UFM International in Canada, o/a Crossworld
Notes to Financial Statements

August 31, 2018

9. Joint Ministry Activities

Although expenditures are not allocated to specific types of international support work done, the Organization indicated that time and effort was spent by workers in the field in accordance with the percentages as shown below:

	Time %	2018 Amounts	Time %	2017 Amounts
Disciple making activities	83	\$ 1,660,592	79	\$ 1,706,177
Community development	3	52,823	2	51,604
Humanitarian	1	24,100	1	24,373
Education	9	179,749	14	299,689
Leadership development	4	85,424	4	79,461
	100	\$ 2,002,688	100	\$ 2,161,304

10. Inter-fund Transfers

During the year, the Board of Directors internally transferred an amount of \$33,354 out of the Operating Fund to be used for the Land, Building, and Equipment Fund. \$9,000 was transferred from the Other Restricted Funds to the Operating Fund.

**UFM International in Canada, o/a Crossworld
Schedule of Home Office Expenses**

For the year ended August 31	2018	2017
Staff Salary and Expenses		
Salaries	\$ 316,591	\$ 255,246
Benefits	58,394	37,225
Travel	59,642	45,042
	\$ 434,627	\$ 337,513
Office and Miscellaneous		
Miscellaneous	3,113	14,099
Office expense	110,112	114,402
Office facilities	24,861	24,395
	\$ 138,086	\$ 152,896

Home Staff are full international worker members and raised funds in the amount of \$381,865 (2017 - \$382,100) towards salary and expenses.

Net home office expenses were 7.0% (2017 - 3.9%) of revenue, net of funds raised by home staff.