



GreerWalker

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of United World Mission, Incorporated:

We have audited the accompanying financial statements of United World Mission, Incorporated (the "Organization") which comprise the statement of financial position as of June 30, 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 generally accepted accounting principles 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards 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 of 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 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 Organization'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 Organization'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 United World Mission, Incorporated as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2017 were audited by other auditors' whose report dated October 12, 2017, expressed an unmodified opinion on those statements.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2018 information included in the supplemental schedules on pages 14 - 15 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 2016 and 2017 information included in the supplemental schedules on pages 14 - 15 was subjected to the auditing procedures applied in the audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 and 2017 financial statements as a whole.

GreenWalker LLP

Certified Public Accountants
October 9, 2018
Charlotte, NC

UNITED WORLD MISSION, INCORPORATED

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4,236,002	\$ 3,935,993
Cash held in investment accounts	254,003	2,246,941
Investments	6,057,419	1,755,328
Prepaid expenses and other assets	509,215	425,317
Real estate held for sale	781,365	-
Land, buildings and equipment, net	<u>799,154</u>	<u>792,651</u>
TOTAL	<u>\$ 12,637,158</u>	<u>\$ 9,156,230</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 116,889	\$ 111,897
Annuity payable	68,475	71,852
Pension liability	59,448	61,860
Asset retirement obligation	135,003	131,262
Accrued expenses	<u>71,578</u>	<u>26,557</u>
Total liabilities	<u>451,393</u>	<u>403,428</u>
Net assets:		
Unrestricted:		
Undesignated	2,573,520	1,578,279
Required annuity reserves	6,848	7,185
Board-designated	1,658,281	421,510
Equity in land, buildings, and equipment	<u>799,154</u>	<u>788,751</u>
Total unrestricted net assets	<u>5,037,803</u>	<u>2,795,725</u>
Temporarily restricted	7,013,891	5,957,077
Permanently restricted	<u>134,071</u>	<u>-</u>
Total net assets	<u>12,185,765</u>	<u>8,752,802</u>
TOTAL	<u>\$ 12,637,158</u>	<u>\$ 9,156,230</u>

See notes to financial statements.

UNITED WORLD MISSION, INCORPORATED

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Support:								
Contributions	\$ 852,144	\$ 17,997,588	\$ -	\$ 18,849,732	\$ 112,869	\$ 17,523,209	\$ -	\$ 17,636,078
Revenue:								
Tuition and seminars	513,907	-	-	513,907	522,893	-	-	522,893
Rental income	142,667	-	-	142,667	95,234	-	-	95,234
Other income	28,567	-	-	28,567	25,234	-	-	25,234
Total support and revenue	1,537,285	17,997,588	-	19,534,873	758,230	17,523,209	-	18,279,439
RECLASSIFICATIONS:								
Administrative assessments	2,100,990	(2,100,990)	-	-	1,958,641	(1,958,641)	-	-
Satisfaction of purpose restrictions	16,125,069	(16,125,069)	-	-	14,620,513	(14,620,513)	-	-
Total reclassifications	18,226,059	(18,226,059)	-	-	16,579,154	(16,579,154)	-	-
OPERATING EXPENSES:								
Program services:								
Evangelism and church planting	6,476,912	-	-	6,476,912	6,124,734	-	-	6,124,734
Education ministry	2,959,751	-	-	2,959,751	2,584,683	-	-	2,584,683
Leadership and development	2,270,765	-	-	2,270,765	1,821,102	-	-	1,821,102
Home ministry	1,135,105	-	-	1,135,105	1,235,038	-	-	1,235,038
Church mobilization	1,461,715	-	-	1,461,715	1,357,254	-	-	1,357,254
Community development and compassion	1,447,784	-	-	1,447,784	1,637,979	-	-	1,637,979
Total program services	15,752,032	-	-	15,752,032	14,760,790	-	-	14,760,790
Supporting activities:								
Management and general	1,903,313	-	-	1,903,313	1,518,311	-	-	1,518,311
Fund-raising	697,433	-	-	697,433	159,678	-	-	159,678
Missionary support-raising	1,447,369	-	-	1,447,369	641,286	-	-	641,286
Total supporting services	4,048,115	-	-	4,048,115	2,319,275	-	-	2,319,275
Total operating expenses	19,800,147	-	-	19,800,147	17,080,065	-	-	17,080,065
Change in net assets from operating activities	(36,803)	(228,471)	-	(265,274)	255,319	944,055	-	1,199,374
NON-OPERATING ACTIVITIES:								
Contribution resulting from acquisition of OCI	2,157,634	1,285,285	134,071	3,576,990	-	-	-	-
Investment income	134,345	-	-	134,345	352,868	-	-	352,868
Actuarial change in annuities and pension	(13,098)	-	-	(13,098)	(7,485)	-	-	(7,485)
Change in non-operating net assets	2,278,881	1,285,285	134,071	3,698,237	345,383	-	-	345,383
CHANGE IN NET ASSETS	2,242,078	1,056,814	134,071	3,432,963	600,702	944,055	-	1,544,757
NET ASSETS, BEGINNING OF YEAR	2,795,725	5,957,077	-	8,752,802	2,195,023	5,013,022	-	7,208,045
NET ASSETS, END OF YEAR	\$ 5,037,803	\$ 7,013,891	\$ 134,071	\$ 12,185,765	\$ 2,795,725	\$ 5,957,077	\$ -	\$ 8,752,802

See notes to financial statements.

UNITED WORLD MISSION, INCORPORATED

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,432,963	\$ 1,544,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,651	68,866
Cash acquired in acquisition of OCI	(1,753,662)	-
Property acquired in acquisition	(830,342)	-
Donation of investments	-	(5,956)
Net realized gains on investments	(4,074)	(75,712)
Net unrealized gains on investments	(80,406)	(232,148)
Actuarial change in annuities and pension	13,098	7,485
Payments on pension	(6,903)	(6,902)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(83,898)	138,099
Accounts payable	4,992	(52,377)
Asset retirement obligation	3,741	3,637
Accrued expenses	45,021	(669)
Net cash provided by operating activities	<u>835,181</u>	<u>1,389,080</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in acquisition of OCI	1,753,662	-
Purchases of land, buildings and equipment	(52,177)	(41,401)
Purchases and reinvestment of earnings on investments	(9,608,593)	(41,950)
Proceeds from the sale of investments	5,390,982	724,184
Net cash provided by (applied to) investing activities	<u>(2,516,126)</u>	<u>640,833</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on annuity	<u>(11,984)</u>	<u>(13,211)</u>
NET CHANGE IN CASH AND CASH EQUIVELENTS	(1,692,929)	2,016,702
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>6,182,934</u>	<u>4,166,232</u>
CASH AND CASH EQUIVALENETS, END OF THE YEAR	<u>\$ 4,490,005</u>	<u>\$ 6,182,934</u>

See notes to financial statements.

UNITED WORLD MISSION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - United World Mission, Incorporated (the "Organization"), headquartered in Charlotte, North Carolina, is organized as a nonprofit corporation incorporated under Ohio statutes and domesticated under North Carolina statutes.

The Organization is a faith mission, dependent on God as He moves the hearts of interested individuals, local churches, and other Organization's to meet financial needs. Missionaries raise support for their ministries from interested churches and individuals. Support figures are established according to cost-of-living factors and include an amount for mission administration, major medical and life insurance, retirement, allowances for the education of children, and ministry expenses. Funds provided for the support of the ministry of each individual are set apart for that purpose and disbursed in compliance with support schedule and policies.

The Organization's mission is to see God change lives and transform communities everywhere by partnering to equip leaders, establish churches, and engage in holistic mission.

- **Equipping Leaders:** God-delighting leaders that embrace biblical depth, servanthood, missional spirituality and community.
- **Establishing Churches:** World-surprising churches marked by love and unity, working for mercy and justice, and making disciples that serve Christ in every endeavor.
- **Engaging Holistic Mission:** Uniting the people and resources of the global church for innovative partnerships that bring Christ's compassion and truth to men, women, and children that need it most.

The Organization conducts the following ministries in the furtherance of its exempt purpose:

Evangelism and church planting - The Organization's missionaries serve alongside local churches, denominations, and other indigenous Organization's around the world to facilitate the ministry, growth and expansion of churches. Missionaries serve through formal and informal training, conferences and seminars, research projects, development of contextualized ministry models, business development and micro-finance in support of church development, as well as through direct involvement in ministries that strengthen and assist the missional outreach of local churches, particularly through new church planting. In some countries, missionaries concentrate on pioneer church planting, while in most contexts focus on facilitating national believers as they engage evangelistic and church planting ministries in their nations.

Education ministry - The Organization's missionaries are involved in Christian education in several distinct ways. Missionaries and staff provide non-formal ministry training within local churches and denominations, especially church planter and lay leader training. Missionaries and staff provide formal theological education at Bible schools and seminars, and serve as faculty and staff at a number of Christian international schools for children. The Organization's missionaries serve as faculty and staff at the Center for Intercultural Training in Union Mills, North Carolina that provides pre-field, residential and cross-cultural missionary training. Appointees and missionaries on home ministry assignments dedicate significant time to Christian education regarding world missions to local churches and related groups. In addition, the Organization, through its acquisition of Overseas Council International, Inc. (see Note 2), provides student scholarships, library enhancement, development and support, and short-term operating assistance to theological schools overseas.

Leadership and development - The Organization's missionaries are involved in leadership development to foster Christ-like leaders around the world. The Organization provides leadership development through formal programs like Avance in Mexico City, Mexico and East Mountain in Stellenbosch, South Africa and also provides leadership development through less formal means. The Organization firmly believes that building into the lives of national leaders will significantly increase the impact of ministry for the long-term.

Church mobilization - The Organization has staff dedicated to serving churches in North America to assist them in mission mobilization, strategy development and global partnership. In addition, appointees and missionaries on home ministry assignments dedicate significant time to mobilizing churches and individuals for participation in global, cross-cultural ministry. Sometimes this service leads to the church participating with the Organization (and/or other agencies) by sending missionaries. Other times, it leads to the Organization facilitating the church in partnership with field teams and/or national partners.

Community development and compassion - The Organization's missionaries and staff implement field strategies and facilitate global partnerships that integrate ministries of compassion and development with church outreach and new church planting. These ministries range from small business development and micro-finance to medical and agricultural work that benefits the poor and needy.

Home ministry - The Organization's missionaries serve periodically on home ministry assignments during which they provide ministry reports to sending churches and other donors, recruit new missionaries for their and other ministry opportunities, engage in fund-raising, and provide Christian education regarding world missions. In addition, missionaries and staff dedicate time and effort during their home ministry assignments to continuing education and other forms of renewal that prepare them for increased ministry effectiveness when they return to the field.

Reporting Entity - The financial statements include the international and U.S. operations of the Organization, which are conducted under a joint ministries agreement, and all contributions remitted to or from United World Mission Canada ("UWM Canada") for specific projects and missionary support accounts. These statements do not include the assets, liabilities, net assets, revenues and expenses of UWM Canada not held or remitted to the Organization under the joint ministries agreements because UWM Canada is not controlled by the Organization.

The accompanying financial statements reflect the operations of foreign and U.S. ministries of the Organization. The assets, liabilities, net assets and activities of the Organization's fields in Albania, Argentina, Belgium, Brazil, Chad, China, Colombia, Costa Rica, Cuba, Czech Republic, Democratic Republic of Congo, Dominican Republic, Ecuador, Egypt, Ethiopia, France, Germany, Greece, Guatemala, Honduras, Hungary, India, Ireland, Italy, Kazakhstan, Kenya, Lebanon, Mali, Mexico, Morocco, Nepal, Pakistan, Panama, Paraguay, Peru, Romania, Russia, Senegal, Slovenia, South Africa, Spain, Sweden, Tajikistan, Tanzania, Thailand, Uganda, Ukraine, United Kingdom, United States, Venezuela, and Vietnam are included in these financial statements.

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired, those currently available for ministry under the direction of the board of directors and resources invested in land, buildings and equipment. Unrestricted net assets also include reclassifications from temporarily restricted net assets of deficit missionary support balances as of year-end. Board designated net assets consisted solely of health insurance and strategic reserves of \$1,658,281 and \$421,510 as of June 30, 2018 and 2017, respectively.

Temporarily restricted net assets - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently restricted net assets - Net assets which contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash deposits with financial institutions that, at times, may exceed federally insured limits.

Investments - Investments are recorded at fair value with realized and unrealized gains and losses included in the statements of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations. The fair value of investments is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities.

Donated investments are recorded at fair value on the date of the donation and thereafter carried at fair value, if held. Donated investments are typically sold immediately upon receipt.

Revenue Recognition - Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. The Organization may receive contributions of cash or other assets which it reports as temporarily restricted support if such contributions are received with donor restrictions that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted support and as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

The Organization records revenue from tuition and seminars when earned, which is when the class or seminar is held. Investment income is recorded when earned. Rental income is recorded when earned, which is over the term of the rental period. All other revenue is recorded when earned.

Donated Professional Services - Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services, management and general, and fundraising efforts. The value of this contributed time does not meet the criteria for recognition of donated services and, accordingly, is not reflected as contributions in the accompanying financial statements. Donated professional services are only recognized for services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

Land, Building and Equipment - Land, building and equipment are recorded at cost if purchased. Donations of property are recorded at their estimated fair value on the date of receipt. Expenditures for land, buildings and property in excess of \$4,000 is capitalized. Computer equipment purchased with unrestricted funds is capitalized in excess of \$3,000. Computer equipment purchased from missionary (restricted) accounts is not capitalized. The Organization's policy is to capitalize all significant repairs and improvements to property or leaseholds. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

Buildings	10 to 40 years
Equipment	2 to 10 years
Furniture and fixtures	2 to 10 years
Software	3 to 5 years
Vehicles	2 to 6 years

Annuity Obligation - The Organization received charitable gift annuity agreements in the non-cash acquisition of Latin America Mission ("LAM"). Under the agreements, a donor contributes assets to the Organization in exchange for the right to receive a fixed-dollar annual return during the donor's lifetime. A portion of the transfer is a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The annuity liability is revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. Actuarial changes and annuity payments are reported as a change in actuarial value in the statements of activities. The Organization maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing states' law.

Income Taxes - The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements.

As of June 30, 2018 and 2017, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Functional Expense Classification - The Organization's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee and facility expenses which serve multiple functions. For the year ended June 30, 2018, the Organization changed its methodology of allocating missionary expenses which resulted in more expenses being allocated to Missionary Support-Raising on the Statement of Activities.

Foreign Operations - The accompanying financial statements include the material assets, liabilities, net assets, revenues and expenses of the Organization's overseas operations. As of June 30, 2018 and 2017, assets in other countries totaled \$539,376 and \$464,713, respectively. There were no foreign operations liabilities reported and no support and revenue received from foreign sources for the years ended June 30, 2018 and 2017. The account balances related to foreign operations are reflected in the financial statements in United States dollars.

Asset Retirement - Asset retirement obligations ("ARO") are legal obligations associated with the retirement of long-lived assets. Liabilities are recorded at fair value and the related retirement costs capitalized. Retirement costs are depreciated over the useful lives of the asset. Subsequent to initial recognition, the Organization records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The Organization derecognizes ARO liabilities when the related obligations are settled. See footnote 12 for additional disclosures.

Reclassifications - Certain amounts in the 2017 financial statements have been reclassified to conform with 2018 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Subsequent Events - In preparing its financial statements, the Organization has evaluated subsequent events through October 9, 2018, which is the date the financial statements were available to be issued.

2. ACQUISITION

Effective January 1, 2018, the Organization merged with Overseas Council International, Inc. ("OCI"), a not-for-profit entity based out of Indiana whose mission was to support international theological schools. The Organization was the surviving entity of the merger, therefore, this transaction was accounted for as an acquisition under US GAAP. The Organization recorded a contribution of \$3,576,990 under non-operating activities in the statement of activities, which represent OCI's net assets as of the date of the merger. The net assets consisted of the following:

Cash	\$ 1,753,662
Investments	943,757
Land, buildings and equipment	830,342
Other assets, net	<u>49,229</u>
Total	<u>\$ 3,576,990</u>

3. INVESTMENTS

Investments consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
At fair value:		
Money market	\$ 1,008,876	\$ 1,510
Mutual funds	390,371	282,696
Equity securities	1,333,385	1,338,580
Fixed income securities	<u>3,301,935</u>	<u>104,887</u>
	6,034,567	1,727,673
Not at fair value:		
Cash surrender value of life insurance (CSV)	<u>22,852</u>	<u>27,655</u>
Total	<u>\$ 6,057,419</u>	<u>\$ 1,755,328</u>

Investment income consisted of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 49,865	\$ 45,008
Net unrealized gains	80,406	232,148
Net realized gains	<u>4,074</u>	<u>75,712</u>
Total	<u>\$ 134,345</u>	<u>\$ 352,868</u>

4. LAND, BUILDINGS AND EQUIPMENT, NET

Land, building and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>		
	<u>United States</u>	<u>Other Countries</u>	<u>Total</u>
Land	\$ 28,133	\$ 100,000	\$ 128,133
Buildings	1,194,855	263,783	1,458,638
Equipment	118,812	20,605	139,417
Furniture and fixtures	113,153	19,850	133,003
Software	479,240	-	479,240
Vehicles	<u>62,061</u>	<u>-</u>	<u>62,061</u>
	1,996,254	404,238	2,400,492
Less: accumulated depreciation	<u>(1,487,111)</u>	<u>(114,227)</u>	<u>(1,601,338)</u>
Total	<u>\$ 509,143</u>	<u>\$ 290,011</u>	<u>\$ 799,154</u>
	<u>2017</u>		
	<u>United States</u>	<u>Other Countries</u>	<u>Total</u>
Land	\$ 28,133	\$ 100,000	\$ 128,133
Buildings	1,155,647	263,783	1,419,430
Equipment	80,622	20,605	101,227
Furniture and fixtures	106,838	17,610	124,448
Software	479,240	-	479,240
Vehicles	<u>63,211</u>	<u>-</u>	<u>63,211</u>
	1,913,691	401,998	2,315,689
Less: accumulated depreciation	<u>(1,425,092)</u>	<u>(97,946)</u>	<u>(1,523,038)</u>
Total	<u>\$ 488,599</u>	<u>\$ 304,052</u>	<u>\$ 792,651</u>

Management has reviewed the assets held in other countries, and has determined they are under control of the Organization as of June 30, 2018. However, due to the potential rapid change in the political climates of these countries, subsequent changes could occur that would adversely affect the valuation of the assets held.

The assets held in other countries may not be representative of the realizable value should the asset be sold. Many of these assets were designed to fulfill the specific programs of the Organization, therefore, a limited market exists for resale, and may ultimately be granted to national churches and affiliated ministries in the respective country.

As of June 30, 2018, the Organization had real estate acquired from OCI (see Note 2) that was held for sale. The Organization sold the real estate in July 2018. The proceeds received approximated the carrying value; therefore, no gain or loss was recognized.

5. ANNUITIES PAYABLE

Annuities payable represents the present value of future payments to annuitants which is computed using federal mortality rate tables.

Annuities payable consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Annuities payable, current	\$ 11,983	\$ 11,983
Annuities payable, non-current portion	<u>56,492</u>	<u>59,869</u>
Total	<u>\$ 68,475</u>	<u>\$ 71,852</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for future periods or purposes consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Missionary support	\$ 4,904,006	\$ 4,647,389
Projects	<u>2,109,885</u>	<u>1,309,688</u>
Total	<u>\$ 7,013,891</u>	<u>\$ 5,957,077</u>

Net assets are released from donor restrictions by satisfaction of time and/or purpose. Restrictions released during the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Missionary support	\$ 13,372,160	\$ 12,172,320
Projects	<u>2,752,909</u>	<u>2,448,193</u>
Total	<u>\$ 16,125,069</u>	<u>\$ 14,620,513</u>

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$134,071 as of June 30, 2018 are restricted for investment in perpetuity, the income from which is expendable for scholarship assistance.

8. LEASE COMMITMENTS

The Organization leases office space under a non-cancelable operating lease agreement, expiring December 2022. Rental expense incurred by the Organization on the above lease totaled approximately \$71,000 and \$66,000 for the years ended June 30, 2018 and 2017, respectively.

The approximate future minimum rental payments under this agreement is as follows:

For the year ending June 30:	
2019	\$ 82,000
2020	84,000
2021	87,000
2022	90,000
2023 and thereafter	<u>45,000</u>
Total	<u>\$ 388,000</u>

9. EMPLOYEE BENEFIT PLANS

The Organization maintains a retirement plan under which eligible employees can defer a portion of their compensation under the provisions of section 401(k) of the Internal Revenue Code. The Organization does not make any contributions to the plan.

The Organization sponsors a non-qualified, defined benefit retirement plan for 12 retired missionaries. The respective liability is calculated by an actuary and was \$59,448 and \$61,860 as of June 30, 2018 and 2017, respectively.

10. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The inputs used for valuing the Organization's investments are summarized in the three broad levels listed below:

- Level 1 - quoted prices in active markets for identical assets
- Level 2 - other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.)
- Level 3 - significant unobservable inputs

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. There have been no changes in the methodology used as of June 30, 2018.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018 and 2017:

	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 1,008,876	\$ -	\$ -	\$ 1,008,876
Mutual funds	390,371	-	-	390,371
Equity securities	1,333,385	-	-	1,333,385
Fixed income securities	-	<u>3,301,935</u>	-	<u>3,301,935</u>
Total investments, at fair value	<u>\$ 2,732,632</u>	<u>\$ 3,301,935</u>	<u>\$ -</u>	<u>\$ 6,034,567</u>
	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 1,510	\$ -	\$ -	\$ 1,510
Mutual funds	282,696	-	-	282,696
Equity securities	1,338,580	-	-	1,338,580
Fixed income securities	-	<u>104,887</u>	-	<u>104,887</u>
Total investments, at fair value	<u>\$ 1,622,786</u>	<u>\$ 104,887</u>	<u>\$ -</u>	<u>\$ 1,727,673</u>

11. ASSET RETIREMENT OBLIGATION

US GAAP defines a conditional ARO as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, an entity is required to recognize a liability for the fair value of a conditional ARO if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional ARO should be factored into the measurement of the liability when sufficient information exists.

The Organization initially recorded an ARO during the fiscal year ended June 30, 2014, due to the liability associated with removing asbestos from several buildings under ownership of the Organization.

The table below summarizes the change in the related liability for the years ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Beginning of the year	\$ 131,262	\$ 127,625
Accretion of the expense, net	3,741	3,637
Obligations settled	-	-
Change in the estimate	<u>-</u>	<u>-</u>
End of the year	<u>\$ 135,003</u>	<u>\$ 131,262</u>

UNITED WORLD MISSION, INCORPORATED

SUPPLEMENTARY INFORMATION - ANALYTICAL STATEMENTS OF FINANCIAL POSITION
(ROUND TO NEAREST THOUSAND)

	June 30,			Change	
	2018	2017	2016	18-17	17-16
ASSETS:					
Cash and cash equivalents	\$ 4,490	\$ 6,183	\$ 4,166	\$ (1,693)	\$ 2,017
Investments	6,058	1,755	2,124	4,303	(369)
Prepaid expenses and other assets	509	425	563	84	(138)
Real estate held for sale	781	-	-	781	-
Land, buildings and equipment, net	799	793	820	6	(27)
Total assets	\$ 12,637	\$ 9,156	\$ 7,673	\$ 3,481	\$ 1,483
LIABILITIES AND NET ASSETS:					
Liabilities:					
Accounts payable	\$ 117	\$ 112	\$ 164	\$ 5	\$ (52)
Annuities payable	68	72	82	(4)	(10)
Pension liability	59	62	64	(3)	(2)
Asset retirement obligation	135	131	128	4	3
Accrued expenses	72	27	27	45	-
Total liabilities	451	404	465	47	(61)
Net assets:					
Unrestricted:					
Undesignated	2,574	1,578	656	996	922
Board-designated	1,665	428	695	1,237	(267)
Equity in land, building and equipment	799	789	813	10	(24)
Total unrestricted	5,038	2,795	2,164	2,243	631
Temporarily restricted	7,014	5,957	5,044	1,057	913
Permanently restricted	134	-	-	134	-
Total net assets	12,186	8,752	7,208	3,434	1,544
Total liabilities and net assets	\$ 12,637	\$ 9,156	\$ 7,673	\$ 3,481	\$ 1,483

See independent auditors' report.

UNITED WORLD MISSION, INCORPORATED

SUPPLEMENTARY INFORMATION - ANALYTICAL STATEMENTS OF ACTIVITY
(ROUNDED TO NEAREST THOUSAND)

	Year Ended June 30,						Change	
	2018	%	2017	%	2016	%	18-17	18-16
SUPPORT AND REVENUE:								
Contributions	\$ 18,850	97	\$ 17,636	96	\$ 15,761	97	\$ 1,214	\$ 3,089
Tuition and seminars	514	2	523	3	347	3	(9)	167
Rental income	143	1	95	1	78	-	48	65
Other income	29	-	25	-	78	-	4	(49)
Total support and revenue	19,536	100	18,279	100	16,264	100	1,257	3,272
EXPENSES:								
Evangelism and church planting	6,477	33	6,125	36	5,936	38	352	541
Education ministry	2,960	15	2,585	15	2,291	15	375	669
Leadership development	2,271	11	1,821	11	1,342	9	450	929
Home ministry	1,135	6	1,235	7	1,195	8	(100)	(60)
Church mobilization	1,462	7	1,357	8	1,150	7	105	312
Community development and compassion	1,448	7	1,638	10	1,598	10	(190)	(150)
Management and general	1,903	10	1,518	9	1,510	10	385	393
Fund-raising	697	1	160	1	145	1	537	552
Missionary support-raising	1,447	10	641	3	503	2	806	944
Total expenses	19,800	100	17,080	100	15,670	100	2,720	4,130
NON-OPERATING ACTIVITIES:								
Contribution resulting from acquisition of OCI	3,577	97	-	-	-	-	3,577	3,577
Investment income	134	3	353	102	38	152	(219)	96
Actuarial change in annuities and pension	(13)	-	(7)	-2	(13)	-52	(6)	-
Total non-operating activities	3,698	100	346	100	25	100	3,352	3,673
Change in Net Assets	\$ 3,434		\$ 1,545		\$ 619		\$ 1,889	\$ 2,815

See independent auditors' report.