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UNITED WORLD MISSION, INCORPORATED
AND SUBSIDIARY

Consolidated Financial Statements for the
Years Ended June 30, 2019 and 2018
and Independent Auditors' Report



GreerWalker



GreerWalker

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of United World Mission, Incorporated and Subsidiary (the "Organization") which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities, and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United World Mission and Subsidiary, Incorporated as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 and 2018 information included in the supplemental schedules on pages 16 and 17 is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the 2019 and 2018 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2017 information included in the supplemental schedules on pages 16 and 17 was subjected to the auditing procedures applied in the audit of the basic consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2017 consolidated financial statements as a whole.

GreenWalker LLP

Certified Public Accountants
October 9, 2019
Charlotte, NC

UNITED WORLD MISSION, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,293,062	\$ 4,236,002
Cash held in investment accounts	13,592	254,003
Investments	8,968,234	6,057,419
Prepaid expenses and other assets	367,958	509,215
Real estate held for sale	-	781,365
Land, buildings and equipment, net	<u>732,281</u>	<u>799,154</u>
TOTAL	<u>\$ 12,375,127</u>	<u>\$ 12,637,158</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 62,401	\$ 116,889
Annuity payable	49,762	68,475
Pension liability	56,852	59,448
Asset retirement obligation	138,851	135,003
Accrued expenses	<u>52,613</u>	<u>71,578</u>
Total liabilities	<u>360,479</u>	<u>451,393</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,828,367	2,573,519
Required annuity reserves	4,976	6,848
Board-designated	2,484,837	1,658,282
Equity in land, buildings, and equipment	<u>732,281</u>	<u>799,154</u>
Total net assets without donor restrictions	<u>5,050,461</u>	<u>5,037,803</u>
With donor restrictions	<u>6,964,187</u>	<u>7,147,962</u>
Total net assets	<u>12,014,648</u>	<u>12,185,765</u>
TOTAL	<u>\$ 12,375,127</u>	<u>\$ 12,637,158</u>

See notes to consolidated financial statements.

UNITED WORLD MISSION, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Support:						
Contributions	\$ 1,445,078	\$ 18,997,016	\$ 20,442,094	\$ 852,144	\$ 17,980,792	\$ 18,832,936
Revenue:						
Tuition and seminars	471,041	36,019	507,060	513,907	16,796	530,703
Rental income	98,495	-	98,495	142,667	-	142,667
Other income	32,506	-	32,506	28,567	-	28,567
Total support and revenue	<u>2,047,120</u>	<u>19,033,035</u>	<u>21,080,155</u>	<u>1,537,285</u>	<u>17,997,588</u>	<u>19,534,873</u>
RECLASSIFICATIONS:						
Administrative assessments	2,163,569	(2,163,569)	-	2,100,990	(2,100,990)	-
Satisfaction of purpose restrictions	17,058,396	(17,058,396)	-	16,125,069	(16,125,069)	-
Total reclassifications	<u>19,221,965</u>	<u>(19,221,965)</u>	<u>-</u>	<u>18,226,059</u>	<u>(18,226,059)</u>	<u>-</u>
OPERATING EXPENSES:						
Program services:						
Evangelism and church planting	6,835,163	-	6,835,163	6,476,912	-	6,476,912
Education ministry	3,561,771	-	3,561,771	2,959,751	-	2,959,751
Leadership and development	2,774,396	-	2,774,396	2,270,765	-	2,270,765
Home ministry	1,164,879	-	1,164,879	1,135,105	-	1,135,105
Church mobilization	1,129,190	-	1,129,190	1,461,715	-	1,461,715
Community development and compassion	1,877,215	-	1,877,215	1,447,784	-	1,447,784
Total program services	<u>17,342,614</u>	<u>-</u>	<u>17,342,614</u>	<u>15,752,032</u>	<u>-</u>	<u>15,752,032</u>
Supporting activities:						
Management and general	2,142,189	-	2,142,189	1,903,313	-	1,903,313
Fund-raising	717,489	-	717,489	697,433	-	697,433
Missionary support-raising	1,354,802	-	1,354,802	1,447,369	-	1,447,369
Total supporting services	<u>4,214,480</u>	<u>-</u>	<u>4,214,480</u>	<u>4,048,115</u>	<u>-</u>	<u>4,048,115</u>
Total operating expenses	<u>21,557,094</u>	<u>-</u>	<u>21,557,094</u>	<u>19,800,147</u>	<u>-</u>	<u>19,800,147</u>
Change in net assets from operating activities	<u>(288,009)</u>	<u>(188,930)</u>	<u>(476,939)</u>	<u>(36,803)</u>	<u>(228,471)</u>	<u>(265,274)</u>
NON-OPERATING ACTIVITIES:						
Contribution resulting from acquisition of OCI	-	-	-	2,157,634	1,419,356	3,576,990
Gain on disposal of assets	18,128	-	18,128	-	-	-
Investment income	280,128	5,155	285,283	134,345	-	134,345
Actuarial change in annuities and pension	2,411	-	2,411	(13,098)	-	(13,098)
Change in non-operating net assets	<u>300,667</u>	<u>5,155</u>	<u>305,822</u>	<u>2,278,881</u>	<u>1,419,356</u>	<u>3,698,237</u>
CHANGE IN NET ASSETS	<u>12,658</u>	<u>(183,775)</u>	<u>(171,117)</u>	<u>2,242,078</u>	<u>1,190,885</u>	<u>3,432,963</u>
NET ASSETS, BEGINNING OF YEAR	<u>5,037,803</u>	<u>7,147,962</u>	<u>12,185,765</u>	<u>2,795,725</u>	<u>5,957,077</u>	<u>8,752,802</u>
NET ASSETS, END OF YEAR	<u>\$ 5,050,461</u>	<u>\$ 6,964,187</u>	<u>\$ 12,014,648</u>	<u>\$ 5,037,803</u>	<u>\$ 7,147,962</u>	<u>\$ 12,185,765</u>

See notes to consolidated financial statements.

UNITED WORLD MISSION, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Evangelism & Church Planting	Education Ministry	Leadership & Development	Home Ministry	Church Mobilization	Community Development & Compassion	Management & General	Fundraising	Missionary Support-Raising	Total
Salaries and wages	\$ 4,488,896	\$ 1,597,908	\$ 1,362,072	\$ 826,236	\$ 692,387	\$ 923,182	\$ 685,723	\$ 294,833	\$ 874,950	\$ 11,746,187
Payroll taxes and fringes	908,530	323,388	272,230	113,822	146,219	190,878	177,943	51,609	167,111	2,351,730
Travel	550,366	285,622	460,391	50,766	82,915	72,400	183,362	108,996	101,214	1,896,032
Professional services	332,675	236,734	228,345	122,979	130,210	26,057	508,021	141,260	84,032	1,810,313
Ministry project expenses	164,418	718,950	127,518	4,789	32,164	509,158	19,114	76,968	41,073	1,694,152
Office expenses	71,661	144,375	38,601	8,214	15,396	87,485	124,971	8,879	14,448	514,030
Conferences and education	160,355	85,755	83,263	14,833	7,427	12,828	15,957	4,896	27,085	412,399
Charitable contributions and gifts	51,886	18,938	146,952	11,979	267	22,526	52,501	2,803	22,253	330,105
Furnishings, equipment, and software	36,473	70,551	13,745	3,604	11,836	11,583	96,209	7,532	7,274	258,807
Bank and credit card fees	53,344	17,036	17,620	6,348	3,377	13,861	50,097	588	10,483	172,754
Occupancy	10,138	8,340	19,779	693	4,118	7,030	94,454	605	3,470	148,627
Depreciation and amortization	-	-	-	-	-	-	89,951	-	-	89,951
Insurance	-	47,530	-	-	105	-	15,863	492	11	64,001
Dues and subscriptions	5,941	4,992	3,620	568	2,484	131	21,271	813	1,312	41,132
Advertising	480	1,652	260	48	285	96	6,752	17,215	86	26,874
Total expenses	\$ 6,835,163	\$ 3,561,771	\$ 2,774,396	\$ 1,164,879	\$ 1,129,190	\$ 1,877,215	\$ 2,142,189	\$ 717,489	\$ 1,354,802	\$ 21,557,094

See notes to consolidated financial statements.

UNITED WORLD MISSION, INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (171,117)	\$ 3,432,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	80,189	94,651
Gain on disposal of assets	(18,128)	-
Cash acquired in acquisition of OCI	-	(1,753,662)
Property acquired in acquisition	-	(830,342)
Net realized gains on investments	(29,867)	(4,074)
Net unrealized gains on investments	(139,880)	(80,406)
Actuarial change in annuities and pension	(2,411)	13,098
Payments on pension	(6,902)	(6,903)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	141,257	(83,898)
Accounts payable	(54,488)	4,992
Asset retirement obligation	3,848	3,741
Accrued expenses	<u>(18,965)</u>	<u>45,021</u>
Net cash provided by (applied to) operating activities	<u>(216,464)</u>	<u>835,181</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in acquisition of OCI	-	1,753,662
Purchases of land, buildings and equipment	(11,992)	(52,177)
Proceeds from sale of land, buildings and equipment	798,169	-
Purchases and reinvestment of earnings on investments	(15,736,701)	(9,608,593)
Proceeds from the sale of investments	<u>12,995,633</u>	<u>5,390,982</u>
Net cash applied to investing activities	<u>(1,954,891)</u>	<u>(2,516,126)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on annuity	<u>(11,996)</u>	<u>(11,984)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,183,351)	(1,692,929)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>4,490,005</u>	<u>6,182,934</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 2,306,654</u>	<u>\$ 4,490,005</u>

See notes to consolidated financial statements.

UNITED WORLD MISSION, INCORPORATED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - United World Mission, Incorporated and Subsidiary (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 organizations 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 organizations 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 3), provides student scholarships, library enhancement, facility 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 consolidated 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 consolidated financial statements also include the accounts of a wholly-owned subsidiary of United World Mission, Incorporated which was formed on December 11, 2018. All significant interorganization transactions and balances have been eliminated in consolidation.

The accompanying consolidated 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, Coast 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 consolidated financial statements.

New Accounting Pronouncement - On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for annual periods beginning after December 15, 2017. The Organization has adjusted the presentation of these consolidated financial statements accordingly. The changes to net asset classification have been applied retrospectively to all periods presented such that the temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions and the unrestricted net asset class has been renamed net assets without donor restrictions.

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

Without donor restrictions - 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 \$2,484,837 and \$1,658,282 as of June 30, 2019 and 2018, respectively.

With donor restrictions - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met or contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity.

Use of Accounting Estimates - The preparation of consolidated 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 consolidated statements of activities as increases or decreases in net assets without donor restrictions, unless their use is 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 restricted support if such contributions are received with donor restrictions that limit the use of the donated assets. When a donor restriction is satisfied, restricted net assets are reclassified to net assets without restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as 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 consolidated 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. The Organization's policy is to capitalize all significant 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 consolidated financial statements.

As of June 30, 2019 and 2018, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the consolidated 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 consolidated financial statements include the material assets, liabilities, net assets, revenues and expenses of the Organization's overseas operations. As of June 30, 2019 and 2018, assets in other countries totaled \$454,746 and \$539,376, respectively. There were no foreign operations liabilities reported and no support and revenue received from foreign sources for the years ended June 30, 2019 and 2018. The account balances related to foreign operations are reflected in the consolidated 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 11 for additional disclosures.

Subsequent Events - In preparing its consolidated financial statements, the Organization has evaluated subsequent events through October 9, 2019, which is the date the consolidated financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,293,062
Cash held in investment accounts	13,592
Accounts receivable, net	45,598
Investments	<u>8,968,234</u>
Total financial assets	<u>11,320,486</u>
Less amounts not available to be used for general expenditures within one year:	
Restricted by donors with purpose restrictions	6,830,116
Restricted by donors in perpetuity	134,071
Required annuity reserves	4,976
Board designated net assets	<u>2,484,837</u>
Financial assets not available to be used within one year	<u>9,454,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,866,486</u>

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, it invests cash in excess of daily requirements in short-term investments, such as money market funds.

3. 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. For the year ended June 30, 2018, 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>

4. INVESTMENTS

Investments consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
At fair value:		
Money market	\$ 190,093	\$ 1,008,876
Mutual funds	289,051	390,371
Equity securities	1,142,631	1,333,385
Fixed income securities	<u>7,324,598</u>	<u>3,301,935</u>
	8,946,373	6,034,567
Not at fair value:		
Cash surrender value of life insurance (CSV)	<u>21,861</u>	<u>22,852</u>
Total	<u>\$ 8,968,234</u>	<u>\$ 6,057,419</u>

Investment income consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 115,536	\$ 49,865
Net unrealized gains	139,880	80,406
Net realized gains	<u>29,867</u>	<u>4,074</u>
Total	<u>\$ 285,283</u>	<u>\$ 134,345</u>

5. LAND, BUILDINGS AND EQUIPMENT, NET

Land, building and equipment consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>		
	<u>United States</u>	<u>Other Countries</u>	<u>Total</u>
Land	\$ 28,133	\$ 100,000	\$ 128,133
Buildings	1,177,972	271,782	1,449,754
Equipment	124,227	20,605	144,832
Furniture and fixtures	116,293	19,850	136,143
Software	479,240	-	479,240
Vehicles	<u>40,214</u>	<u>-</u>	<u>40,214</u>
	1,966,079	412,237	2,378,316
Less: accumulated depreciation	<u>(1,517,416)</u>	<u>(128,619)</u>	<u>(1,646,035)</u>
Total	<u>\$ 448,663</u>	<u>\$ 283,618</u>	<u>\$ 732,281</u>

	<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>

Management has reviewed the assets held in other countries, and has determined they are under control of the Organization as of June 30, 2019 and 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.

6. 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Annuities payable, current	\$ 11,983	\$ 11,983
Annuities payable, non-current portion	<u>37,779</u>	<u>56,492</u>
Total	<u>\$ 49,762</u>	<u>\$ 68,475</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for future periods or purposes consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Missionary support	\$ 4,704,808	\$ 4,904,006
Projects	2,125,308	2,109,885
Perpetuity	134,071	134,071
Total	<u>\$ 6,964,187</u>	<u>\$ 7,147,962</u>

Net assets are released from donor restrictions by satisfaction of time and/or purpose. Restrictions released during the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Missionary support	\$ 14,627,286	\$ 13,372,160
Projects	2,431,110	2,752,909
Total	<u>\$ 17,058,396</u>	<u>\$ 16,125,069</u>

8. LEASE COMMITMENTS

The Organization leases office space and miscellaneous office equipment under non-cancelable operating lease agreements. The lease on the office space expires December 31, 2022. Rental expense incurred by the Organization on the above lease totaled approximately \$85,000 and \$71,000 for the years ended June 30, 2019 and 2018, respectively.

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

For the year ending June 30:	
2020	\$ 89,000
2021	90,000
2022	90,000
2023	<u>45,000</u>
Total	<u>\$ 314,000</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 \$56,852 and \$59,448 as of June 30, 2019 and 2018, 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, 2019.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019 and 2018:

	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 190,093	\$ -	\$ -	\$ 190,093
Mutual funds	289,051	-	-	289,051
Equity securities	1,142,631	-	-	1,142,631
Fixed income securities	<u>-</u>	<u>7,324,598</u>	<u>-</u>	<u>7,324,598</u>
Total investments, at fair value	<u>\$ 1,621,775</u>	<u>\$ 7,324,598</u>	<u>\$ -</u>	<u>\$ 8,946,373</u>
	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>-</u>	<u>3,301,935</u>	<u>-</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>

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, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Beginning of the year	\$ 135,003	\$ 131,262
Accretion of the expense, net	3,848	3,741
Obligations settled	-	-
Change in the estimate	-	-
	<hr/>	<hr/>
End of the year	<u>\$ 138,851</u>	<u>\$ 135,003</u>

UNITED WORLD MISSION, INCORPORATED AND SUBSIDIARY

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

	June 30,			Change	
	2019	2018	2017	19-18	19-17
ASSETS:					
Cash and cash equivalents	\$ 2,307	\$ 4,490	\$ 6,183	\$ (2,183)	\$ (3,876)
Investments	8,969	6,058	1,755	2,911	7,214
Prepaid expenses and other assets	368	509	425	(141)	(57)
Real estate held for sale	-	781	-	(781)	-
Land, buildings and equipment, net	732	799	793	(67)	(61)
Total assets	\$ 12,376	\$ 12,637	\$ 9,156	\$ (261)	\$ 3,220
LIABILITIES AND NET ASSETS:					
Liabilities:					
Accounts payable	\$ 63	\$ 117	\$ 112	\$ (54)	\$ (49)
Annuities payable	50	68	72	(18)	(22)
Pension liability	57	59	62	(2)	(5)
Asset retirement obligation	139	135	131	4	8
Accrued expenses	53	72	27	(19)	26
Total liabilities	362	451	404	(89)	(42)
Net assets:					
Unrestricted:					
Undesignated	1,828	2,574	1,578	(746)	250
Board-designated	2,490	1,665	428	825	2,062
Equity in land, building and equipment	732	799	789	(67)	(57)
Total unrestricted	5,050	5,038	2,795	12	2,255
With donor restrictions	6,964	7,148	5,957	(184)	1,007
Total net assets	12,014	12,186	8,752	(172)	3,262
Total liabilities and net assets	\$ 12,376	\$ 12,637	\$ 9,156	\$ (261)	\$ 3,220

See independent auditors' report.

UNITED WORLD MISSION, INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY INFORMATION - ANALYTICAL CONSOLIDATED STATEMENTS OF ACTIVITIES

(ROUNDED TO NEAREST THOUSAND)

	Year Ended June 30,						Change	
	2019	%	2018	%	2017	%	19-18	19-17
SUPPORT AND REVENUE:								
Contributions	\$ 20,442	97	\$ 18,833	97	\$ 17,636	96	\$ 1,609	\$ 2,806
Tuition and seminars	507	2	531	2	523	3	(24)	(16)
Rental income	98	1	143	1	95	1	(45)	3
Other income	33	-	29	-	25	-	4	8
Total support and revenue	<u>21,080</u>	<u>100</u>	<u>19,536</u>	<u>100</u>	<u>18,279</u>	<u>100</u>	<u>1,544</u>	<u>2,801</u>
EXPENSES:								
Evangelism and church planting	6,835	32	6,477	33	6,125	36	358	710
Education ministry	3,562	17	2,960	15	2,585	15	602	977
Leadership development	2,774	13	2,271	11	1,821	11	503	953
Home ministry	1,165	5	1,135	6	1,235	7	30	(70)
Church mobilization	1,129	5	1,462	7	1,357	8	(333)	(228)
Community development and compassion	1,877	9	1,448	7	1,638	10	429	239
Management and general	2,142	10	1,903	10	1,518	9	239	624
Fund-raising	717	3	697	1	160	1	20	557
Missionary support-raising	1,355	6	1,447	10	641	3	(92)	714
Total expenses	<u>21,556</u>	<u>100</u>	<u>19,800</u>	<u>100</u>	<u>17,080</u>	<u>100</u>	<u>1,756</u>	<u>4,476</u>
NON-OPERATING ACTIVITIES:								
Contribution resulting from acquisition of OCI	-	-	3,577	97	-	-	(3,577)	-
Gain on disposal of assets	18	6	-	-	-	-	18	18
Investment income	285	93	134	3	353	102	151	(68)
Actuarial change in annuities and pension	2	1	(13)	-	(7)	(2)	15	9
Total non-operating activities	<u>305</u>	<u>100</u>	<u>3,698</u>	<u>100</u>	<u>346</u>	<u>100</u>	<u>(3,393)</u>	<u>(41)</u>
Change in Net Assets	<u>\$ (171)</u>		<u>\$ 3,434</u>		<u>\$ 1,545</u>		<u>\$ (3,605)</u>	<u>\$ (1,716)</u>

See independent auditors' report.