

Crossworld Inc
Financial Statements
For the year ended August 31, 2023

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Independent Auditor's Report

To the Board of Directors of Crossworld Inc.

Opinion

We have audited the financial statements of Crossworld Inc. (the "Organization"), which comprise the balance sheet as at August 31, 2023, and the statements of activity and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
December 4, 2023

**Crossworld Inc.
Balance Sheet**

As at August 31

2023

2022

Assets

Current

Cash	\$ 876,645	\$ 690,388
Accounts receivable	20,786	54,248
Investments (Note 5)	2,123,717	2,289,296
Prepaid expenses	32,645	25,639
Due from related party (Note 3)	77,514	42,320

	<u>3,131,307</u>	3,101,891
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Capital assets (Note 6)

	<u>284,613</u>	301,163
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	<u>\$ 3,415,920</u>	\$ 3,403,054
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Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities	\$ 74,931	\$ 50,665
Liability for revocable trusts (Note 4)	2,000	2,000

	<u>76,931</u>	52,665
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Fund Balances

Unrestricted		
General designated board funds	842,995	831,628
Operating fund undesignated	1,104,936	959,488
Land, building and equipment fund	284,613	301,163

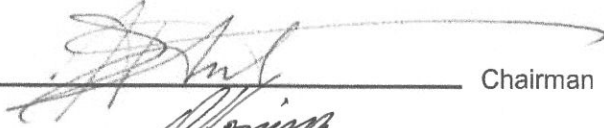
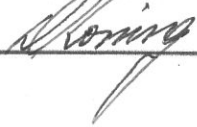
Restricted

Joint Ministry activities fund	960,174	1,123,791
Other Restricted funds	146,271	134,319

	<u>3,338,989</u>	3,350,389
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	<u>\$ 3,415,920</u>	\$ 3,403,054
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On behalf of the Board:

	
Chairman	
	
Vice-chairman	

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

Crossworld Inc.
Statement of Activity and Fund Balances

For the year ended August 31, 2023

	Unrestricted					2023 Total	2022 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	\$ -	\$ 22,455	\$ -	\$ 2,081,580	\$ -	\$ 2,104,035	\$ 2,140,436
Donations and legacies - Non-Canadian	-	259,359	-	768,648	-	1,028,007	979,190
Deputation, field travel and support	-	421,068	-	-	-	421,068	304,594
Interest and investment income (loss)	11,367	38,146	-	-	11,952	61,465	(202,496)
Rental and miscellaneous	-	18,030	-	-	-	18,030	18,775
	11,367	759,058	-	2,850,228	11,952	3,632,605	3,240,499
Expenditures							
International worker salaries, benefits and Ministry expenditures	-	111,602	-	2,757,316	-	2,868,918	2,635,520
Home office							
Staff salary and expenses (Schedule)	-	581,059	-	-	-	581,059	509,422
Office and miscellaneous (Schedule)	-	160,589	-	-	-	160,589	147,869
Headquarters residence expense	-	13,675	-	-	-	13,675	13,163
	-	866,925	-	2,757,316	-	3,624,241	3,305,974
Other revenue (expenditures)							
Amortization	-	-	(19,764)	-	-	(19,764)	(19,054)
Joint ministry contributions	-	256,529	-	(256,529)	-	-	-
	-	256,529	(19,764)	(256,529)	-	(19,764)	(19,054)
Excess (deficiency) of revenue over expenditures	11,367	148,662	(19,764)	(163,617)	11,952	(11,400)	(84,529)
Inter-fund transfers (Note 9)	-	(3,214)	3,214	-	-	-	-
Fund balance, beginning of year	831,628	959,488	301,163	1,123,791	134,319	3,350,389	3,434,918
Fund balance, end of year	\$ 842,995	\$ 1,104,936	\$ 284,613	\$ 960,174	\$ 146,271	\$ 3,338,989	\$ 3,350,389

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

Crossworld Inc.
Statement of Cash Flows

For the year ended August 31	2023	2022
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ (11,400)	\$ (84,529)
Adjustments to reconcile excess (deficiency) of revenue over expenditures to net cash provided by operating activities		
Amortization	19,764	19,054
Unrealized losses on investments	17,619	147,637
Changes in non-cash working capital balances		
Accounts receivable	33,462	(7,256)
Prepaid expenses	(7,006)	(13,038)
Accounts payable and accrued liabilities	24,266	12,350
Due from related party	(35,194)	(12,314)
	<u>41,511</u>	<u>61,904</u>
Investing activities		
Purchases of investments	(95,578)	(276,723)
Proceeds from sale of investments	243,538	111,582
Purchase of capital assets	(3,214)	(22,242)
	<u>144,746</u>	<u>(187,383)</u>
Increase (decrease) in cash during the year	186,257	(125,479)
Cash, beginning of the year	<u>690,388</u>	<u>815,867</u>
Cash, end of the year	<u>\$ 876,645</u>	<u>\$ 690,388</u>

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

Crossworld Inc.
Notes to Financial Statements

August 31, 2023

1. Significant Accounting Policies

Basis of Presentation

The financial statements present the activities of Crossworld Inc (the "Organization").

The Organization has signed an Agreement of Alliance with Crossworld (Note 3) in a joint arrangement whereby Crossworld 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

Crossworld Inc.
Notes to Financial Statements

August 31, 2023

1. Significant Accounting Policies (continued)

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 Crossworld Inc.

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 (i) Quebec Edifice Fund \$21,874 (2022 - \$21,041)

This represents externally restricted funds being held to help finance future church property development in Quebec.

(ii) Canadian Retirement Fund \$124,397 (2022 - \$113,278)

These internally restricted funds are intended to augment the retirement income of those who have served a minimum of 20 years under Crossworld Inc, reached the age of 65, and retired from active service overseas or at headquarters.

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.

Crossworld Inc. **Notes to Financial Statements**

August 31, 2023

1. Significant Accounting Policies (continued)

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 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 42 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 works in cooperation with Crossworld, an Organization operating in the USA in setting finance policies and practices, 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 \$2,081,580 (2022 - \$2,104,190) were received and expended on joint ministry activities as detailed in Note 8.

Included in joint ministry contributions was \$256,529 (2022 - \$221,777) 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.

Crossworld Inc.
Notes to Financial Statements

August 31, 2023

4. 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 Richardson Wealth Mutual Funds.

5. Investments

	2023		2022	
	Cost	Market	Cost	Market
Board Designated				
Sovereign Pooled Funds I.	\$ 420,694	\$ 490,056	\$ 417,835	\$ 472,064
Watt Carmichael Inc. (Account #1)	348,060	345,895	329,784	359,564
	768,754	835,951	747,619	831,628
Restricted				
Quebec Edifice Fund	22,846	21,874	22,665	21,041
Watt Carmichael Inc. (Account #2)	108,470	124,397	105,064	113,278
	131,316	146,271	127,729	134,319
Joint Ministry / Operating fund				
RBC GIC's	-	-	220,000	220,000
Sovereign Pooled Funds II	1,192,592	1,141,495	1,145,274	1,103,349
	1,192,592	1,141,495	1,365,274	1,323,349
	\$ 2,092,662	\$ 2,123,717	\$ 2,240,622	\$ 2,289,296

Included in interest and investment income (loss) is an unrealized loss of \$17,619 (2022 - \$147,637) and a realized income from investments of \$79,084 (2022 - realized loss of \$54,859).

Crossworld Inc.
Notes to Financial Statements

August 31, 2023

6. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 91,457	\$ -	\$ 91,457	\$ -
Buildings	471,513	301,910	469,767	292,497
Office and residence equipment	81,262	75,810	79,794	73,413
Computer equipment and software	28,233	27,657	28,233	26,202
Automobile	31,336	13,811	31,336	7,312
	\$ 703,801	\$ 419,188	\$ 700,587	\$ 399,424
Cost less accumulated amortization		\$ 284,613		\$ 301,163

7. 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 the prior year.

8. 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	2023		Time	2022	
	%	\$	Amounts	%	\$	Amounts
Disciple making activities	66	\$ 1,819,657		64	\$ 1,612,195	
Community development	6	176,577		7	160,184	
Humanitarian	5	131,466		7	184,542	
Education	20	543,340		14	342,441	
Leadership development	3	86,276		2	57,667	
Business as mission	-	-		6	149,818	
	100	\$ 2,757,316		100	\$ 2,506,847	

Crossworld Inc.
Notes to Financial Statements

August 31, 2023

9. Inter-fund Transfers

During the year, the Board of Directors internally transferred an amount of \$3,214 (2022 - \$22,242) out of the Operating Fund to be used for the Land, Building, and Equipment Fund.

Crossworld Inc.
Schedule of Home Office Expenses

For the year ended August 31	2023	2022
Staff Salary and Expenses		
Salaries	\$ 323,190	\$ 343,642
Benefits	65,870	75,663
Travel	191,999	90,117
	\$ 581,059	\$ 509,422
Office and Miscellaneous		
Miscellaneous	6,415	1,267
Office expense	125,081	120,982
Office facilities	29,093	25,620
	\$ 160,589	\$ 147,869

Home Staff are full international worker members and raised funds in the amount of \$375,964 (2022 - \$359,151) towards salary and expenses.

Net home office expenses were 11.0% (2022 - 10.3%) of revenue, net of funds raised by home staff.