

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2012

Adventures in Missions, Inc.

Independent Audit Report

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Independent Auditor's Report

To the Board of Directors of
Adventures in Mission, Inc.
Gainesville, GA

We have audited the accompanying statement of financial position of Adventures in Missions, Inc. (a nonprofit organization) as of September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adventures in Missions, Inc. as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BAKER & MUNDY, LLC

Cleveland, GA

November 29, 2012

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2012

ASSETS

Current Assets	
Cash and cash equivalents (Note 1)	\$1,174,347
Prepaid expenses	597,623
Credit card receivables	73,580
Accounts receivable (Net of allowance for trip cancellations \$10,000)	28,675
Project advances	403,137
Inventory	<u>2,598</u>
Total Current Assets	\$2,279,960
Property & Equipment (Note 1)	
Office and Computer Equipment	304,933
Furniture and Fixtures	182,974
Buildings	1,838,673
Building Improvements	91,847
Land and Improvements	294,593
Vehicles	397,587
Less: Accumulated Depreciation	<u>(1,160,429)</u>
Net Property and Equipment	<u>1,950,178</u>
Other Assets	
Restricted Long-Term Marketable CDs, at market value	515,815
Restricted cash and cash equivalents	<u>3,686,434</u>
Net Other Assets	<u>4,202,249</u>
TOTAL ASSETS	<u><u>\$8,432,387</u></u>

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts payable	\$33,847
Accrued expenses	56,058
Deferred revenue	<u>116,169</u>
Total Current Liabilities	\$206,074
Total Liabilities	206,074
Net Assets	
Unrestricted	3,195,268
Temporarily restricted (Note 8)	<u>5,031,045</u>
Total Net Assets	<u>8,226,313</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$8,432,387</u></u>

The accompanying notes are an integral part of these financial statements

Adventures in Missions, Inc.
Statement of Activities
For the year ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Project Revenue	\$2,062,633	\$0	\$0	\$2,062,633
Contributions	1,304,214	12,676,375		13,980,589
IDM Application fees	89,740	-		89,740
Other Revenue	1,303,623	-		1,303,623
Rental Income	6,413	-		6,413
Exchange Rate Gain/(Loss)	(1,434)	-		(1,434)
Interest/Dividend Income	11,987	-		11,987
Total Support And Revenue	4,777,176	12,676,375		17,453,551
Net Assets released from restrictions:	<u>11,330,321</u>	<u>(11,330,321)</u>		
Total Revenue and net assets released from restrictions	\$16,107,497	\$1,346,054		\$17,453,551
EXPENSES:				
Program	13,315,513			13,315,513
Support services:				
Fundraising	492,110			492,110
General & Administrative	1,519,033			1,519,033
Total expenses	15,326,656			15,326,656
Change in Net Assets	780,841	1,346,054		2,126,895
NET ASSETS, beginning of the year	<u>2,414,427</u>	<u>3,684,991</u>		<u>6,099,418</u>
NET ASSETS, end of the year	<u>\$3,195,268</u>	<u>\$5,031,045</u>	<u>\$0</u>	<u>\$8,226,313</u>

The accompanying notes are an integral part of these financial statements

Adventures in Missions, Inc.
Statement of Functional Expenses
For the year ended September 30, 2012

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Expenses</u>	<u>General & Administrative</u>	<u>Fundraising</u>	
Salary	\$2,898,174	\$835,958	\$152,590	\$3,886,722
Payroll taxes	186,823	42,398	8,686	237,907
Advertising/promotion	80,293	45,881	90,485	216,659
Background checks	8,738	15	-	8,753
Bank charges	272,647	2,656	843	276,146
Benevolence	8,686	1,347	6,515	16,548
Communications	152,011	23,740	6,289	182,040
Contract services	263,883	259,607	79,848	603,338
Deferred Compensation	11,500	-	-	11,500
Depreciation	61,791	57,754	18	119,563
Discipleship training	73,728	-	-	73,728
Dues & subscriptions	15,276	11,623	2,604	29,503
Entertainment & meals	23,037	6,509	13,550	43,096
Evangelism	68,906	-	-	68,906
Facility rental	1,043	3,792	229	5,064
(Gain) Loss on disposal of assets	-	(227)	-	(227)
Insurance	103,439	24,871	7,986	136,296
Licenses & permits	7,572	24,529	10,283	42,384
Medical reimbursement	16,009	-	-	16,009
Ministry development	25,274	-	-	25,274
Multimedia	4,057	6,152	2,500	12,709
Organizational development	5,068	-	-	5,068
Postage & delivery	34,267	10,056	35,458	79,781
Repairs & maintenance	35,372	43,737	6,749	85,858
Security	564	-	-	564
Staff counseling & relations	14,407	15,191	2,354	31,952
Summer staff	882	-	-	882
Supplies	286,476	14,495	2,693	303,664
Travel	4,944,422	31,272	55,222	5,030,916
Training & conferences	234,495	26,259	1,794	262,548
Unrealized (Gain) Loss on investments	-	8,066	-	8,066
Utilities	46,987	3,625	-	50,612
Worship leader speaker	3,668	-	-	3,668
Vehicle rental	188,705	-	-	188,705
Other trip expenses	2,696,620	-	-	2,696,620
Other expenses	540,693	19,727	5,414	565,834
Total functional expenses	<u>\$13,315,513</u>	<u>\$1,519,033</u>	<u>\$492,110</u>	<u>\$15,326,656</u>

The accompanying notes are an integral part of these financial statements

Adventures in Missions, Inc.
Statement of Cash Flows
For the year ended September 30, 2012

Cash Flows from operating activities:

Excess revenue over expenses \$2,126,895

Adjustments to reconcile change in net assets
to net cash provided (used) by operating activities:

Depreciation	119,563
(Increase) Decrease in accounts receivable	33,395
(Increase) Decrease in prepaid expenses	(185,398)
Increase (Decrease) in deferred revenue	(43,722)
(Increase) Decrease in credit card receivable	(51,318)
(Increase) Decrease in project advances	(104,196)
(Increase) Decrease in inventory	22,732
Increase (Decrease) in accounts payable	28,558
Increase (Decrease) in accrued expenses	<u>55,374</u>

Total adjustments (125,012)

Net cash provided (used) by operating activities 2,001,883

Cash flows from investing activities:

Increase in restricted cash and cash equivalents	(566,238)
Net (increase) in restricted long-term marketable CDs	(276,303)
Fixed asset additions	<u>(98,012)</u>

Net cash provided (used) by investing activities (940,553)

Cash flows from financing activities:

Net increase (decrease) in unrestricted cash and cash equivalents 1,061,330

Unrestricted Cash and cash equivalents at beginning of year 113,017

Unrestricted Cash and cash equivalents at end of year \$1,174,347

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Adventures in Missions, Inc. (Adventures) was organized in 1989. Adventures is a nonprofit organization and is dedicated to spreading the Gospel through missionaries and mission trip participants in the United States of America and globally. The organization is headquartered in Gainesville, GA in the United States of America.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Contributions

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Financial Statement Presentation

The organization has adopted SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the organization does not use fund accounting.

Property and Equipment

Equipment purchased is carried at cost. Equipment donated is carried at estimated fair value at time of donation. Depreciation expense is computed using the straight-line method over the estimated useful life of the asset. The principal life used for the depreciation of equipment and furniture is three to ten years, and 39 years for buildings and improvements. Net property and equipment for the fiscal year ending September 30, 2012 equals \$1,950,178.

Income Taxes

The organization is exempt from federal and state income taxes under section 501(c) 3 of the Internal Revenue Code, and is recognized as a church by the Internal Revenue Service.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts, money market accounts, FDIC insured certificates of deposits, and cash on hand. The organization considers all highly liquid investments with initial maturity of one year or less to be available for current use.

Foreign Currency Translation

The organization has implemented FASB No. 52, "Foreign Currency Translation" for its bank accounts outside the United States. Assets and liabilities denominated in foreign functional currencies are translated at the weighted average exchange rate for the period.

Project Revenue

Fees received for short-term mission projects are recognized as project revenue when the mission project occurs. The organization requires participants to make nonrefundable advance

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2012

deposits to reserve space on a mission team.

Deputized Fundraising

Adventures utilizes the accepted practice called "deputized fundraising" to raise donations to support many of its activities. Individuals, who desire to participate in certain of its mission trips, become fundraisers for Adventures with the mutual intention of participating, under Adventures' direction, in carrying out the purpose(s) for which they are appealing for donations. Such donations are recognized as contributions revenue when received because they are irrevocable (See NOTE 7).

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value. This includes long-term certificates of deposit with maturities of over one year.

Advertising and Promotion Costs

Adventures follows the policy of charging costs of advertising and promotion to expense as incurred. Advertising and promotion expense was \$216,659.

NOTE 2: CONCENTRATION OF CREDIT RISK

The balance of unrestricted cash and cash equivalents as of September 30, 2012 was \$1,174,347. Restricted cash and cash equivalents was \$3,686,434. Cash equivalents are spread among various banks such that approximately \$1.5 million of this amount as well as long-term marketable certificates of deposits are covered by FDIC insurance. Federal Depository Insurance coverage is currently limited to \$250,000 at each bank. No credit risk exists as of September 30, 2012.

NOTE 3: ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 4: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 5: DEFERRED REVENUE

Participants are required to pay for certain short-term mission trips in advance. Therefore, the organization invoices the participants several months in advance of the actual mission trip. The total amount of the invoice is recorded as deferred revenue. Revenue is not recognized until the trip has occurred.

NOTE 6: RENT EXPENSE

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2012

The organization has ongoing immaterial operating leases, primarily for various forms of housing and equipment, which expire at various dates. Certain leases sometimes contain renewal options and require the organization to pay costs such as utilities, maintenance, and insurance.

NOTE 7: CHANGES IN ADVANCE REVENUE AND OTHER TEMPORARILY RESTRICTED NET ASSETS

Adventures utilizes the accepted practice called "deputized fundraising" to raise donations to support many of its activities. Individuals, who desire to participate in certain of its mission trips, become fundraisers for Adventures with the mutual intention of participating, under Adventures' direction, in carrying out the purpose(s) for which they are appealing for donations. Under Generally Accepted Accounting Principles (GAAP), such donations are recognized as contributions revenue when received because they are irrevocable. However, as properly reflected in Adventures' measurement of Temporarily Restricted Net Assets and Restricted Cash described in Notes 8 and 9, most of such revenue will be utilized for costs to be incurred on particular trips. Likewise, Adventures believes it is useful to understand the effect of the increases or decreases in this Advance Revenue, together with changes in other Temporarily Restricted Net Assets, on the measurement of each periods GAAP based Change in Net Assets, and to realize that such portions of this change are not available for alternative appropriate uses such as facilities expansion, program expansion, reserves, etc. The following summarizes these effects for the fiscal year ending September 30, 2012:

GAAP Change in Net Assets (Per Statement of Activities)	\$2,126,895
Advance Revenue:	
At September 30, 2011	\$3,012,974
At September 30, 2012	<u>4,315,098</u>
Net Increase during Fiscal Year 2012	<u>(1,302,124)</u>
Net Increase Available for Other Than Future Trip Costs	824,771
Other Temporarily Restricted Net Assets:	
At September 30, 2011	<u>672,017</u>
At September 30, 2012	<u>715,947</u>
Net Increase during Fiscal Year 2012	<u>(43,930)</u>
Net Increase Available for Unrestricted Future Uses	<u>\$780,841</u>

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2012

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Passport Program	\$466,347
World Race Program	<u>3,848,751</u>
Total Advance Revenue	4,315,098
AIM Staff Support	286,292
Long-Term Missionaries Support	202,047
Swaziland	85,673
Innovations	98,645
Other Programs	<u>43,290</u>
Total:	<u>\$5,031,045</u>

NOTE 9: RESTRICTED CASH

The organization receives contributions in support of the various programs from the general public that are to be specifically disbursed for particular purposes. These funds are restricted from general operations until the purposes are fulfilled. Certain disbursements are made as advances, prepaid expenses, etc. that reduce the amount of cash restricted even though such net assets remain restricted until charged to expense. For the year ending September 30, 2012, Adventures had restricted cash and cash equivalents and long-term marketable CDs of \$4,202,249, for the types of purposes described above in NOTE 8.

NOTE 10: DEFERRED COMPENSATION

The organization has established a memorandum of understanding (MOU) with certain employees to defer part of their compensation. This MOU does not constitute an employment contract or any commitment to terms for continuation or termination of employment. It exclusively covers a portion of compensation that will be deferred over the period of such employment, and agreed terms of its possible payout. The ultimate likelihood of payment of such deferred compensation is based solely on the credit worthiness of the Employer. No funds will be set aside or invested by the Employer on behalf of Employee. Employee shall have no right to, or expectation of, any investment or other return on such amounts deferred. \$11,500 in deferred compensation was included in accrued expenses as of September 30, 2012.