

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2015

Adventures in Missions, Inc.

Independent Audit Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Adventures in Missions, Inc.

We have audited the accompanying financial statements of Adventures in Missions, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses 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 accounting principles generally accepted 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Adventures in Missions, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Accounting - Swaziland on page 9 is presented for purposes 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 auditing standards generally accepted 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.

A handwritten signature in black ink that reads "Baker & Mundy, LLC". The signature is written in a cursive, flowing style.

BAKER & MUNDY, LLC
Cleveland, GA
November 16, 2015

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2015

ASSETS

Current Assets	
Cash and cash equivalents	\$2,140,072
Prepaid expenses	703,083
Credit card receivables	33,017
Accounts receivable (Net of allowance for trip cancellations \$6,557)	124,646
Note receivable - Grey Media	133,333
Promise to give -Donor	348,692
Rental deposits	3,350
Project advances	321,549
Inventory	42,385
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Total Current Assets	\$3,850,127
Property & Equipment	
Office and Computer Equipment	819,584
Furniture and Fixtures	340,530
Buildings	2,649,200
Building Improvements	228,380
Construction in Process	206,848
Land and Improvements	5,067,546
Equipment	249,560
Vehicles	559,457
Less: Accumulated Depreciation	(1,764,571)
	<hr/>
Net Property and Equipment	8,356,534
Other Assets	
Restricted Long-Term Marketable CDs, at market value	527,466
Promise to give -Donor	4,150,684
Restricted cash and cash equivalents	3,882,541
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Net Other Assets	8,560,691
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TOTAL ASSETS	\$20,767,352

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts payable	\$291,235
Accrued expenses	107,676
Note Payable - Hamilton State Bank	163,431
Deferred revenue	152,173
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Total Current Liabilities	\$714,515
Long-Term Liabilities	
Note Payable - Hamilton State Bank	4,542,453
	<hr/>
Total Liabilities	5,256,968
Net Assets	
Unrestricted	9,891,188
Temporarily restricted	5,619,196
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Total Net Assets	15,510,384
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TOTAL LIABILITIES & NET ASSETS	\$20,767,352

The accompanying notes are an integral part of these financial statements

Adventures in Missions, Inc.
Statement of Activities
For the year ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Project Revenue	\$2,323,094	\$13,255,393	\$0	\$15,578,487
Contributions	2,896,354	4,673,376		7,569,730
IDM Application fees	142,857	-		142,857
Other Revenue	41,882	-		41,882
Rental Income	20,688	-		20,688
Product sales	84,354	-		84,354
Staff/Missionary support	2,123,343	-		2,123,343
Exchange Rate Gain/(Loss)	(7,351)	-		(7,351)
Interest/Dividend Income	1,838	-		1,838
Total Support And Revenue	7,627,059	17,928,769	-	25,555,828
Net Assets released from restrictions:	<u>17,917,705</u>	<u>(17,917,705)</u>	<u>-</u>	<u>-</u>
Total Revenue and net assets released from restrictions	\$25,544,764	\$11,064	\$0	\$25,555,828
EXPENSES:				
Program Support services:	17,633,117			17,633,117
Fundraising	354,068			354,068
General & Administrative	1,851,194			1,851,194
Total expenses	<u>19,838,379</u>	<u>-</u>	<u>-</u>	<u>19,838,379</u>
Change in Net Assets	5,706,385	11,064	-	5,717,449
NET ASSETS, beginning of the year	<u>4,184,803</u>	<u>5,608,132</u>	<u>-</u>	<u>9,792,935</u>
NET ASSETS, end of the year	<u>\$9,891,188</u>	<u>\$5,619,196</u>	<u>\$0</u>	<u>\$15,510,384</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, 2015

	Program <u>Expenses</u>	<u>Support Services</u>		Total <u>Expenses</u>
		<u>General & Administrative</u>	<u>Fundraising</u>	
Salary	\$4,469,318	\$1,136,177	\$233,214	\$5,838,709
Payroll taxes	275,661	90,419	15,881	381,961
Advertising/promotion	48,267	14,941	1,863	65,071
Background checks	32,906	-	-	32,906
Bank charges	411,750	444	118	412,312
Benevolence	-	-	100	100
Communications	123,056	79,197	2,943	205,196
Contract services	205,877	43,220	888	249,985
Depreciation	316,008	-	-	316,008
Discipleship training	61,181	-	-	61,181
Dues & subscriptions	16,506	50,174	825	67,505
Entertainment & meals	66,078	-	2,697	68,775
Facility rental	19,339	-	-	19,339
Insurance	928,019	78,600	17,401	1,024,020
Interest	-	81,173	-	81,173
Licenses & permits	17,676	64,450	-	82,126
Multimedia	5	-	-	5
Organizational development	19,853	300	12	20,165
Postage & delivery	22,857	3,147	21,299	47,303
Repairs & maintenance	149,173	-	-	149,173
Security	829	-	-	829
Staff counseling & relations	26,180	5,600	5,127	36,907
Supplies	233,482	39,026	27,660	300,168
Travel	6,758,071	29,343	17,051	6,804,465
Training & conferences	54,013	28,200	496	82,709
Unrealized (Gain) Loss on investments	(10,638)	-	-	(10,638)
Utilities	87,978	-	-	87,978
Worship leader speaker	11,486	-	-	11,486
Vehicle rental	84,485	579	-	85,064
Other trip expenses	3,088,368	39,273	-	3,127,641
Other expenses	115,332	66,931	6,493	188,756
Total functional expenses	<u>\$17,633,117</u>	<u>\$1,851,194</u>	<u>\$354,068</u>	<u>\$19,838,379</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, 2015

Cash Flows from operating activities:

Excess revenue over expenses		\$5,717,449
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	316,008	
(Increase) Decrease in accounts receivable	(80,425)	
(Increase) Decrease in prepaid expenses	(23,349)	
Increase (Decrease) in deferred revenue	87,693	
(Increase) Decrease in unconditional promise to give	(4,499,377)	
(Increase) Decrease in credit card receivable	46,430	
(Increase) Decrease in rental deposits	2,325	
(Increase) Decrease in project advances	199,341	
(Increase) Decrease in inventory	(41,882)	
Increase (Decrease) in accounts payable	(53,762)	
Increase (Decrease) in accrued expenses	<u>55,473</u>	
Total adjustments		<u>(3,991,525)</u>
Net cash provided (used) by operating activities		1,725,924

Cash flows from investing activities:

Net decrease in restricted cash and cash equivalents	(62,130)	
Net (increase) in restricted long-term marketable CDs	(5,736)	
(Increase) Decrease in note receivable - Grey Media	(133,333)	
Fixed asset additions	<u>(5,462,236)</u>	
Net cash provided (used) by investing activities		(5,663,435)

Cash flows from financing activities:

Proceeds from note payable - Hamilton State Bank	4,770,000	
Principal payments to Hamilton State Bank	<u>(64,116)</u>	
Net cash provided by financing activities		<u>4,705,884</u>
Net increase (decrease) in unrestricted cash and cash equivalents		768,373
Unrestricted Cash and cash equivalents at beginning of year		<u>1,371,699</u>
Unrestricted Cash and cash equivalents at end of year		<u><u>\$2,140,072</u></u>

The accompanying notes are an integral part of these financial statements

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2015

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, 2015 equals \$8,356,534.

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 deposits to reserve space on a mission team.

Deputized Fundraising

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2015

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.

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. As of September 30, 2015, restricted marketable certificates of deposit was \$527,466.

Advertising and Promotion Costs

Adventures follows the policy of charging costs of advertising and promotion to expense as incurred. Advertising and promotion expense was \$65,071.

NOTE 2: CONCENTRATION OF CREDIT RISK

The balance of unrestricted cash and cash equivalents as of September 30, 2015 was \$2,140,072. Restricted cash and cash equivalents was \$3,882,541. Cash equivalents are spread among various banks such that these amounts 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, 2015.

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

The organization has ongoing immaterial operating leases, primarily for various forms of short term housing, 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 in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2015

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, Restricted Cash, cash equivalents and marketable certificates of deposit 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.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

World Race Program	\$3,528,505
AIM Staff Support	485,907
Long-Term Missionaries Support	372,209
Swaziland	58,155
Other Projects	<u>1,174,420</u>
Total:	<u>\$5,619,196</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, 2015, Adventures had restricted cash and cash equivalents of \$3,882,541 and long-term marketable CDs of \$527,466, for the types of purposes described above in NOTE 8.

NOTE 10: PROMISES TO GIVE

On March 31, 2015, Adventures in Missions entered into a charitable gift agreement with a major donor. This gift was given for the purpose of assisting Adventures in servicing a loan in the principal amount of \$4,770,000. The donor will give Adventures \$28,809.23 per month for the life of the loan. In accordance with FASB 116 “Accounting for Contributions Received and Contributions Made”, the amount is to be recorded as an unconditional promise to give. Unconditional promises to give are recognized as revenue when the donor’s commitment is received. The promise to give is included in the financial statements as contributions receivable and revenue after discounting to the present value of the expected future cash flows.

Total Promise to give:	
Amount to be received within one year	\$348,692
Amount to be received more than one year	<u>4,150,684</u>
	\$4,499,376

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2015

NOTE 11: NOTE PAYABLE

On March 31, 2015, Adventures in Missions purchased four tracts of real estate in Hall County Georgia. In order to purchase this property, the organization obtained a loan from Hamilton State Bank. The total note payable as of 9/30/15 is \$\$4,705,884. The interest rate on this loan is a fixed rate of 4.00% for 60 payments, with a current monthly payment amount as of September 30, 2015 of \$29,057.66. The total interest paid in 2015 totaled \$81,173.

5-Year Maturity:

2016: \$163,431
2017: 170,090
2018: 177,019
2019: 184,231
After 4,011,113

NOTE 12: SUBSEQUENT EVENTS

During testing for subsequent events, procedures were implemented that provide evidence about conditions that *did not exist* at the date of the statement of financial position, but arose after that date. As of November 16, 2015, no subsequent events were discovered that would cause these financial statements for the year ending September 30, 2015 to be misleading.

Adventures in Missions, Inc.
Schedule of Accounting - Swaziland
For the year ended September 30, 2015

<u>Revenue</u>	<u>Primary Donor Source</u>	<u>Other Sources</u>	<u>Total</u>
General contributions	\$0	\$256,118	\$256,118
Participant support	-	38,745	38,745
Other revenue	1,096,644	14,142	1,110,786
Total Revenue	\$1,096,644	\$309,005	\$1,405,649
<u>Expenses</u>			
Subsidized Salary	\$37,920	\$144,188	\$182,108
Subsidized Housing Allowance	4,706	8,900	13,606
Subsidized Payroll taxes	5,187	3,504	8,691
Allowance - Leadership Academy	14,273	-	14,273
Bank charges	26,655	9,944	36,599
Cash Gifts & Donations	810	22,617	23,427
Communications	15,252	5,476	20,728
Construction	123,305	-	123,305
Contract services	3,298	-	3,298
Discipleship training & materials	54,487	76	54,563
Dues	-	2,124	2,124
Entertainment & meals	82,550	22,537	105,087
Equipment	4,134	-	4,134
Food	190,195	39,031	229,226
Gifts	-	1,484	1,484
Insurance	-	9,192	9,192
Janitorial	1,077	-	1,077
Journals	-	11	11
Medical	8,334	2,253	10,587
Ministry development	1,604	18,199	19,803
Office expenses	11,025	-	11,025
Postage & delivery	11	186	197
Professional development	117,116	25,191	142,307
Repairs & maintenance	35,065	23,379	58,444
Setup	10,650	-	10,650
Staff relations	8,375	384	8,759
Stolen Money	1,091	-	1,091
Storage	4,999	8,243	13,242
Supplies	33,474	1,081	34,555
Support fundraising	207	-	207
Training	15,717	3,964	19,681
Translator	-	5	5
Transportation	90,843	18,038	108,881
Travel & lodging	56,397	18,633	75,030
Undocumented expenses	-	(430)	(430)
Utilities	1,120	3,138	4,258
Videography	-	148	148
Visa Passports	1,149	-	1,149
Total expenses	961,026	391,496	1,352,522
Net Surplus (Deficit)	\$135,618	\$(82,491)	\$53,127

The accompanying notes are an integral part of these financial statements