

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2017

Adventures in Missions, Inc.

Independent Audit Report

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Mundy & Company LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Adventures in Missions, Inc.
6000 Wellspring Trail
Gainesville, GA 30506

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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017, 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.

Report on Supplementary Information

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 11 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.

Adams & Co., LLC

Cleveland, GA
December 7, 2017

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2017

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,053,381
Prepaid expenses	768,021
Credit card receivables	64,114
Accounts receivable (Net of allowance for trip cancellations \$6,557)	129,674
Promise to give	401,776
Rental deposits	2,000
Project advances	463,206
Inventory	51,122
	<hr/>
Total Current Assets	2,933,294
Property & Equipment	
Office and Computer Equipment	1,140,213
Furniture and Fixtures	558,061
Buildings & Building Improvements	3,718,273
Construction in Process	7,430
Land and Improvements	5,819,988
Vehicles	641,420
Less: Accumulated Depreciation	(2,328,424)
	<hr/>
Net Property & Equipment	9,556,961
Other Assets	
Restricted investment securities	2,170,531
Promise to give (Long Term Portion)	4,064,528
Restricted cash and cash equivalents	2,573,078
	<hr/>
Net Other Assets	8,808,137
	<hr/>
TOTAL ASSETS	<u><u>\$ 21,298,392</u></u>
LIABILITIES & NET ASSETS	
Current Liabilities	
Accounts payable	92,691
Accrued expenses	99,922
Note Payable - Hamilton State Bank	188,254
Deferred revenue	188,497
	<hr/>
Total Current Liabilities	569,364
Long-Term Liabilities	
Note Payable - Hamilton State Bank	5,048,154
	<hr/>
Total Liabilities	5,617,518
Net Assets	
With Donor Restrictions	6,032,243
Without Donor Restrictions	9,648,631
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Total Net Assets	15,680,874
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 21,298,392</u></u>

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Statement of Activities
September 30, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Project Revenue	\$ 2,644,667	\$ 10,578,670	\$ 13,223,337
Contributions	4,016,894	1,004,224	5,021,118
IDM Application fees	137,279	-	137,279
Other Revenue	38,428	-	38,428
Rental Income	50,580	-	50,580
Product sales	80,822	-	80,822
Staff/Missionary support	2,624,076	-	2,624,076
Exchange Rate Gain/(Loss)	(8,316)	-	(8,316)
Interest/Dividend Income	52,571	-	52,571
Capital Gain (Loss)	4,067	-	4,067
Unrealized Gain/(Loss)	45,280	-	45,280
	<u>9,686,348</u>	<u>11,582,894</u>	<u>21,269,242</u>
Total Support and Revenue			
Net assets released from Donor Restrictions	<u>12,029,897</u>	<u>(12,029,897)</u>	<u>-</u>
Total Support & Net assets released from Donor Restrictions	21,716,245	(447,003)	21,269,242
EXPENSES:			
Program Services	19,388,816	-	19,388,816
Support Services:			
Fundraising	332,213	-	332,213
General & Administrative	2,788,272	-	2,788,272
	<u>22,509,301</u>	<u>-</u>	<u>22,509,301</u>
Total Expenses			
Change in Net Assets	(793,056)	(447,003)	(1,240,059)
Net Assets, beginning of the year	<u>10,441,687</u>	<u>6,479,246</u>	<u>16,920,933</u>
Net Assets, end of the year	<u>\$ 9,648,631</u>	<u>\$ 6,032,243</u>	<u>\$ 15,680,874</u>

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Reporting of Expenses by Nature and Function
September 30, 2017

	<u>Program Expenses</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salary	\$ 5,478,358	\$ 1,503,283	\$ 196,670	\$ 7,178,311
Payroll taxes	335,186	104,862	10,543	450,591
Advertising/promotion	5,750	76,528	-	82,278
Background checks	28,564	-	-	28,564
Bank charges	393,398	127	20	393,545
Communications	142,031	74,343	2,577	218,951
Contract services	313,501	493,897	16,816	824,214
Depreciation	408,211	2,000	8,559	418,770
Discipleship training	58,713	-	-	58,713
Dues & subscriptions	60,821	104,954	889	166,664
Entertainment & meals	2,120,610	4,494	2,677	2,127,781
Facility rental	38,870	-	-	38,870
(Gain) Loss on disposal of assets		-	-	-
Insurance	1,141,174	30,723	4,607	1,176,504
Interest	-	239,692	-	239,692
Licenses & taxes	49,489	61,913	16,543	127,945
Organizational development	1,190	-	-	1,190
Postage & delivery	15,255	1,841	57,104	74,200
Repairs & maintenance	89,296	-	-	89,296
Staff counseling & relations	26,400	5,537	-	31,937
Supplies	267,005	10,784	5,167	282,956
Travel	6,821,214	11,318	1,072	6,833,604
Training & conferences	182,893	3,812	-	186,705
Utilities	99,374	-	3,249	102,623
Worship leader speaker	34,556	-	-	34,556
Vehicle/equipment rental	173,727	1,227	188	175,142
Other trip expenses	954,477	56,937	5,532	1,016,946
Other expenses	148,753	-	-	148,753
Total expenses	\$ 19,388,816	\$ 2,788,272	\$ 332,213	\$ 22,509,301

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Statement of Cash Flows
September 30, 2017

Cash flows from operating activities:

Change in Net Assets		\$ (1,240,059)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	\$ 418,770	
Gain on disposal of assets	4,067	
(Increase) Decrease in accounts receivable	(33,464)	
(Increase) Decrease in prepaid expenses	242,908	
Increase (Decrease) in deferred revenue	98,204	
(Increase) Decrease in unconditional promise to give	402,000	
(Increase) Decrease in credit card receivable	(27,007)	
(Increase) Decrease in rental deposits	-	
(Increase) Decrease in project advances	76,855	
(Increase) Decrease in inventory	2,456	
Increase (Decrease) in accounts payable	55,901	
Increase (Decrease) in accrued expenses	<u>(210,517)</u>	
 Total adjustments		 <u>1,030,173</u>
Net cash provided (used) by operating activities		(209,886)

Cash flows from investing activities:

Net (increase) decrease in restricted cash and cash equivalents	265,957	
Net (increase) decrease in investment securities	(46,365)	
(Increase) Decrease in note receivable - America's Home Place	1,000,000	
Fixed asset additions	<u>(631,180)</u>	
 Net cash provided (used) by investing activities		 588,412

Cash flows from financing activities:

Principal payments to Hamilton State Bank	<u>(201,422)</u>	
 Net cash provided (used) by financing activities		 <u>(201,422)</u>
Net increase (decrease) in unrestricted cash and cash equivalents		177,104
Unrestricted cash and cash equivalents at beginning of year		<u>876,277</u>
Unrestricted cash and cash equivalents at end of year		<u>\$ 1,053,381</u>

Interest Expense: \$239,692

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Adventures in Missions, Inc. (Adventures) was organized in 1989. Adventures is a non-profit organization and is dedicated to spreading the Gospel through missionaries and mission trip participants in the United State 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.

Financial Statement Presentation

Adventures in Missions, Inc. presents its financial statements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for Profit Entities* (ASC 958). Under ASC 958, the contributions received, including unconditional promises to give, must be recognized as revenues in the period received at their fair values. Under ASC 958, Adventures in Missions, Inc. is required to report information regarding its financial position and activities according to classes of net revenues and net assets with Donor Restrictions, and net revenues and net assets without donor restrictions. The organization reports donor-restricted support whose restrictions are met in the same reporting period as support within net assets without donor restrictions. Adventures in Missions, Inc. is also required to present a statement of cash flows and reporting of expenses by nature and function.

Fair Value of Financial Instruments

Adventures in Missions, Inc. presents certain fair value disclosures for all financial assets and liabilities and for non-financial assets and liabilities recognized or disclosed at fair value in the financial statements on a recurring basis in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value 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.

Advertising

The cost of advertising is expensed as incurred.

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, 2017 equals \$9,556,961.

Income Taxes

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2017

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.

FASB ASC 740, *Income Taxes* (ASC 740), requires the organization to measure and recognize tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. This standard does not have a material impact on the financial statements as of September 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts, savings accounts and cash on hand. The organization considers all highly liquid investments with initial maturity of 12 months 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 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.

NOTE 2: CONCENTRATION OF CREDIT RISK

The balance of unrestricted cash and cash equivalents as of September 30, 2017 was \$1,053,381. Restricted cash and cash equivalents was \$2,573,078. Cash equivalents are spread among various banks such that these amounts are covered by FDIC insurance. Federal Depository Insurance coverage is currently limited to \$250,000 at each bank. No amounts were in excess of insured limits as of September 30, 2017.

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.

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2017

NOTE 4: ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized by nature and function 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: PROJECT REVENUE

Fee 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.

NOTE 7: LEASE COMMITMENTS

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 8: CHANGES IN ADVANCE REVENUE AND OTHER NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for Profit Entities* (ASC 958), such donations are recognized as contributions revenue when received because they are irrevocable. However, as properly reflected in Adventures’ measurement of net assets released from restrictions, restricted cash, cash equivalents and marketable certificates of deposit described in Notes 1 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 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 9: NET ASSETS RESTRICTED BY DONORS

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2017

Net assets that are restricted by Donors are available for the following purposes:

World Race	\$3,042,072
Gap Year	1,851,117
Staff Support	423,987
LTM	211,510
Missionaries	205,898
Passport	142,622
CGA	64,577
Church Planting	39,884
Other Projects	<u>50,576</u>
Total:	\$6,032,243

NOTE 10: 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, 2017, Adventures had restricted cash and cash equivalents of \$2,573,078 for the types of purposes described above in NOTE 8.

NOTE 11: PROMISES TO GIVE

On March 31, 2015, Adventures in Missions entered into a charitable gift agreement with Barry G. Conner. This gift was given for the purpose of assisting Adventures in servicing a loan in the principal amount of \$4,770,000. Mr. Conner will give Adventures \$28,809.23 per month for the life of the loan.

On June 16, 2016, Adventures entered into a charitable gift agreement with Barry G. Conner. The gift was given for the purpose of assisting Adventures in servicing a loan from Hamilton State Bank. The principal amount of the loan is \$730,000. Mr. Conner will give \$4,423.66 per month for the life of the loan.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for Profit Entities* (ASC 958), 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	\$401,776
Amount to be received more than one year	<u>4,064,528</u>
	\$4,466,304

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2017

NOTE 12: 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 of \$4,770,000 from Hamilton State Bank. The total note payable as of 9/30/17 is \$4,363,558. 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, 2017 of \$29,057.66. The total interest paid in 2017 totaled \$199,607.

On August 23, 2016, Adventures purchased 28 acres in Flowery Branch, GA. A loan of \$730,000 was obtained from Hamilton State Bank. The total note payable as of 9/30/17 is \$704,410. 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, 2016 of \$4,450.15. The total interest paid in 2017 totaled \$31,525.

On December 31, 2015, Adventures purchased property located at 5375 Clarks Bridge Rd in Gainesville, Georgia. A loan of \$184,000 from Hamilton State Bank. The total note payable as of 9/30/17 is \$168,440. The interest rate on this loan is a fixed rate of 4.5% for 60 payments, with a current monthly payment amount as of September 30, 2017 of \$1,413.89. The total interest paid in 2017 totaled \$8,560.

5-Year Maturity:

2018:	188,254
2019:	196,769
2020:	107,071
After	4,744,314

NOTE 13: COMMITMENTS AND CONTINGENCIES

The organization is dependent upon the project revenue and contributions received in order to operate. The ability of organization's contributors to continue giving amounts consistent and comparable with prior years may be dependent upon current and future economic conditions and the continued deductibility for income tax purposes of contributions to Adventures. Though the Board of Directors believes the organization has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

NOTE 14: SIGNIFICANT RELATIONSHIPS

In order for any organization to be successful, the organization must establish relationships with various individuals and companies. One individual that has been a supporter of Adventures and its mission is Barry Conner. Mr. Conner is involved with Adventures through transactions involving charitable giving arrangements. As of September 30, 2017, 20% of Adventures' total assets involve Mr. Conner. Those transactions are the promises to give detailed in Note 11.

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2017

NOTE 15: 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 December 7, 2017, no subsequent events were discovered that would be misleading in regard to the financial statements for the year ending September 30, 2017.

Adventures in Missions, Inc.
Schedule of Accounting - Swaziland
September 30, 2017

	<u>Primary Donor Source</u>	<u>Other Sources</u>	<u>Total</u>
REVENUE:			
General contributions	\$ 513,764	\$ 1,043,862	\$ 1,557,626
Participant support	82,053	-	82,053
Other revenue	(63,336)	-	(63,336)
Total Revenue	\$ 532,481	\$ 1,043,862	\$ 1,576,343
EXPENSES:			
Subsidized Salary	112,282	8,300	120,582
Subsidized Housing Allowance	47,664	7,011	54,675
Subsidized Payroll taxes	4,067	-	4,067
Admin services	-	7,389	7,389
Allowance	-	17,404	17,404
Bank charges	13,068	33,552	46,620
Cash gifts	17,067	1,306	18,373
Communications	6,256	17,601	23,857
Construction	53,907	167,198	221,105
Contract services	14,956	31,200	46,156
Depreciation	68,114	206	68,320
Discipleship training & materials	41,376	171,896	213,272
Dues	1,350	-	1,350
Entertainment & meals	116,699	295,188	411,887
Equipment	4,835	1,760	6,595
Facility rental	3,965	12,083	16,048
Gifts	1,193	30	1,223
Honorariums	-	36	36
Insurance	10,569	354	10,923
Janitorial	-	584	584
Licenses & permits	474	-	474
Medical	3,727	25,681	29,408
Multimedia	65	-	65
Organizational development	-	1,190	1,190
Postage & delivery	140	-	140
Repairs & maintenance	13,674	-	13,674
Setup	737	10,864	11,601
Staff relations	50	2,946	2,996
Supplies	4,209	12,770	16,979
Translator	6,622	8,929	15,551
Transportation	26,857	104,514	131,371
Travel & lodging	8,688	64,275	72,963
Utilities	3,275	3,510	6,785
Visa passports	306	1,047	1,353
Worship leader	7,774	9,432	17,206
Total expenses	593,966.00	1,018,256.00	1,612,222.00
Net Surplus (Deficit)	\$ (61,485.00)	\$ 25,606.00	\$ (35,879.00)