

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2011

Adventures in Missions, Inc.

Audit Report

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Adventures in Missions, Inc. (a nonprofit organization) as of September 30, 2011, 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, 2011, 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 16, 2011

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2011

ASSETS

| | |
|--------------------------------------|---------------------------|
| Current Assets | |
| Cash and cash equivalents (Note 1) | \$113,017 |
| Prepaid expenses | 412,225 |
| Credit card receivable | 22,262 |
| Accounts receivable | 62,070 |
| Project advances | 298,941 |
| Inventory | <u>25,330</u> |
| Total Current Assets | \$933,845 |
| Property & Equipment (Note 1) | |
| Office and Computer Equipment | 288,091 |
| Furniture and Fixtures | 111,797 |
| Buildings | 1,826,043 |
| Building Improvements | 107,007 |
| Land and Improvements | 294,593 |
| Vehicles | 353,858 |
| Less: Accumulated Depreciation | <u>(1,045,242)</u> |
| Net Property and Equipment | <u>1,936,147</u> |
| Other Assets | |
| Long-Term Marketable CD | 239,512 |
| Restricted cash and cash equivalents | <u>3,156,778</u> |
| Net Other Assets | <u>3,396,290</u> |
| TOTAL ASSETS | <u><u>\$6,266,282</u></u> |

LIABILITIES & NET ASSETS

| | |
|---------------------------------------------------------------------|---------------------------|
| Current Liabilities | |
| Accounts payable | \$5,289 |
| Accrued expenses | 684 |
| Deferred revenue (Net of allowance for trip cancellations \$10,000) | <u>159,891</u> |
| Total Current Liabilities | \$165,864 |
| Long Term liabilities | |
| Total Liabilities | 165,864 |
| Net Assets | |
| Unrestricted | 2,415,427 |
| Temporarily restricted (Note 8) | <u>3,684,991</u> |
| Total Net Assets | <u>6,100,418</u> |
| TOTAL LIABILITIES & NET ASSETS | <u><u>\$6,266,282</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, 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------------------------------|--------------------|---------------------------|---------------------------|--------------------|
| SUPPORT AND REVENUE: | | | | |
| Project Revenue | \$2,173,484 | \$0 | \$0 | \$2,173,484 |
| Contributions | 530,566 | 11,412,722 | | 11,943,288 |
| IDM Application fees | 64,698 | - | | 64,698 |
| Other Revenue | 1,208,834 | - | | 1,208,834 |
| Rental Income | 7,200 | - | | 7,200 |
| Exchange Rate Gain/(Loss) | (2,502) | - | | (2,502) |
| Gain/(Loss) on disposal of assets | 33,641 | - | | 33,641 |
| Unrealized Gain/(Loss) on investments | (5,494) | - | | (5,494) |
| Interest/Dividend Income | 8,846 | - | | 8,846 |
| | <u>4,019,273</u> | <u>11,412,722</u> | | <u>15,431,995</u> |
| Total Support And Revenue | | | | |
| Net Assets released from restrictions: | <u>10,345,503</u> | <u>(10,345,503)</u> | | |
| Total Revenue and net assets released from restrictions | \$14,364,776 | \$1,067,219 | | \$15,431,995 |
| EXPENSES: | | | | |
| Program | 12,506,976 | | | 12,506,976 |
| Support services: | | | | |
| Fundraising | 350,995 | | | 350,995 |
| General & Administrative | <u>1,332,658</u> | | | <u>1,332,658</u> |
| Total expenses | 14,190,629 | - | | 14,190,629 |
| Change in Net Assets | 174,147 | 1,067,219 | | 1,241,366 |
| NET ASSETS, beginning of the year | <u>2,241,280</u> | <u>2,617,772</u> | | <u>4,859,052</u> |
| NET ASSETS, end of the year | <u>\$2,415,427</u> | <u>\$3,684,991</u> | <u>\$0</u> | <u>\$6,100,418</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, 2011

| | <u>Support Services</u> | | | <u>Total Expenses</u> |
|----------------------------------|----------------------------|-------------------------------------|-------------------------|----------------------------|
| | <u>Program Expenses</u> | <u>General & Administrative</u> | <u>Fundraising</u> | |
| Salary | \$2,970,489 | \$672,707 | \$78,421 | \$3,721,617 |
| Payroll taxes | 213,876 | 29,578 | 4,360 | 247,814 |
| Advertising/promotion | 46,094 | 36,691 | 37,647 | 120,432 |
| Background checks | 7,413 | | | 7,413 |
| Bank charges | 274,581 | 1,863 | 1,379 | 277,823 |
| Benevolence | 51,096 | 139 | 10 | 51,245 |
| Communications | 129,403 | 19,777 | 3,872 | 153,052 |
| Contract services | 112,860 | 233,816 | 151,175 | 497,851 |
| Depreciation | 66,952 | 67,600 | | 134,552 |
| Discipleship training | 55,025 | | | 55,025 |
| Dues & subscriptions | 8,856 | 9,745 | 1,114 | 19,715 |
| Entertainment & meals | 31,486 | | | 31,486 |
| Evangelism | 54,566 | | 10 | 54,576 |
| Facility rental | 3,219 | 660 | | 3,879 |
| Insurance | 62,654 | 13,019 | 15,000 | 90,673 |
| Licenses & permits | 6,871 | 3,771 | | 10,642 |
| Medical reimbursement | 29,838 | | | 29,838 |
| Ministry development | 63,137 | | | 63,137 |
| Multimedia | 11,562 | | | 11,562 |
| Organizational development | 5,855 | | | 5,855 |
| Postage & delivery | 40,635 | 18,234 | 18,868 | 77,737 |
| Repairs & maintenance | | 67,391 | 347 | 67,738 |
| Security | 836 | | | 836 |
| Staff counseling & relations | 15,794 | 8,622 | | 24,416 |
| Summer staff | 6,250 | | | 6,250 |
| Supplies | 231,149 | 63,992 | 9,011 | 304,152 |
| Travel | 4,520,661 | 28,674 | 20,761 | 4,570,096 |
| Training & conferences | 186,475 | 5,824 | 6,172 | 198,471 |
| Utilities | 47,110 | 11,115 | | 58,225 |
| Worship leader speaker | 7,025 | | | 7,025 |
| Vehicle rental | 149,373 | | | 149,373 |
| Other trip expenses | 2,514,335 | | | 2,514,335 |
| Other expenses | 581,500 | 39,440 | 2,848 | 623,788 |
| Total functional expenses | <u>\$12,506,976</u> | <u>\$1,332,658</u> | <u>\$350,995</u> | <u>\$14,190,629</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, 2011

Cash Flows from operating activities:

| | | |
|---------------------------------------------------------------------------------------------|------------------|-----------------|
| Excess revenue over expenses | | \$1,241,366 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 134,552 | |
| (Increase) Decrease in accounts receivable | (15,965) | |
| (Increase) Decrease in prepaid expenses | (171,120) | |
| Increase (Decrease) in deferred revenue | 64,024 | |
| (Increase) Decrease in credit card receivable | 15,200 | |
| (Increase) Decrease in project advances | (11,709) | |
| (Increase) Decrease in inventory | 7,725 | |
| Increase (Decrease) in accounts payable | (14,325) | |
| Increase (Decrease) in accrued expenses | <u>(101,900)</u> | |
| Total adjustments | | <u>(93,518)</u> |
| Net cash provided by operating activities | | 1,147,848 |

Cash flows from investing activities:

| | | |
|-------------------------------------------|------------------|-------------|
| Increase in restricted cash | (1,138,338) | |
| Net (increase) in long-term marketable CD | (239,512) | |
| Net (increase) decrease in fixed assets | <u>(177,355)</u> | |
| Net cash provided by investing activities | | (1,555,205) |

Cash flows from financing activities:

| | | |
|------------------------------------------------------|--|------------------|
| Net increase (decrease) in cash and cash equivalents | | (407,357) |
| Cash and cash equivalents at beginning of year | | <u>520,374</u> |
| Cash and cash equivalents at end of year | | <u>\$113,017</u> |

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Adventures in Missions, Inc. (AIM) was organized in 1989. AIM 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 five or seven years, and 39 years for buildings and improvements. Net property and equipment for the fiscal year ending September 30, 2011 equals \$1,936,147.

Income Taxes

The organization is exempt from federal and state income taxes under section 501 (c) 3 of the Internal Revenue Code.

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, 2011

deposits to reserve space on a mission team.

Deputized Fundraising

AIM 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 AIM with the mutual intention of participating, under AIM's 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 8).

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value.

Advertising and Promotion Costs

AIM follows the policy of charging costs of advertising and promotion to expense as incurred. Advertising and promotion expense was \$120,432.

NOTE 2: CONCENTRATION OF CREDIT RISK

The balance of unrestricted cash and cash equivalents as of September 30, 2011 was \$113,017. Restricted cash and cash equivalents was \$3,156,778. Cash equivalents are spread among various banks such that approximately \$2 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, 2011.

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: EMPLOYEE BENEFIT PLAN

AIM adopts a salary deferral plan covering substantially all employees. The terms of the plan provide that eligible employees may elect to defer their salary up to the maximum amount allowed for plans organized under Internal Revenue Code 403(b).

NOTE 6: 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.

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2011

NOTE 7: RENT EXPENSE

The organization has ongoing immaterial operating leases, primarily for various forms of housing for mission projects and equipment, which expire at various dates. Certain leases generally contain renewal options for the period ranging from three to twelve months and require the organization to pay costs such as taxes, maintenance, and insurance.

NOTE 8: CHANGES IN ADVANCE REVENUE AND OTHER TEMPORARILY RESTRICTED NET ASSETS

AIM 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 AIM with the mutual intention of participating, under AIM's 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 AIM's measurement of Temporarily Restricted Net Assets and Restricted Cash described in Notes 9 and 10, most of such revenue will be utilized for costs to be incurred on particular trips. Likewise, AIM 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, 2011:

| | |
|---------------------------------------------------------|------------------|
| GAAP Change in Net Assets (Per Statement of Activities) | \$1,241,366 |
| Advance Revenue: | |
| At September 30, 2010 | \$2,072,309 |
| At September 30, 2011 | <u>3,012,974</u> |
| Net Increase during Fiscal Year 2011 | <u>(940,665)</u> |
| Net Increase Available for Other Than Future Trip Costs | 300,701 |
| Other Temporarily Restricted Net Assets: | |
| At September 30, 2010 | 545,463 |
| At September 30, 2011 | <u>672,017</u> |
| Net Increase during Fiscal Year 2011 | <u>(126,554)</u> |
| Net Increase Available for Unrestricted Future Uses | <u>\$174,147</u> |

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2011

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | |
|-----------------------|--------------------|
| Real Life Program | \$309,885 |
| World Race Program | <u>2,703,089</u> |
| Total Advance Revenue | 3,012,974 |
| | |
| AIM Staff Support | 416,346 |
| Swaziland | 214,673 |
| Other Programs | <u>40,998</u> |
| | |
| Total: | <u>\$3,684,991</u> |

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, 2011, AIM had restricted cash and cash equivalents of \$3,156,778, for the types of purposes described above in NOTE 9.