

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2013

Adventures in Missions, Inc.

Independent Audit Report

Table of Contents

<u>Page</u>	<u>Description</u>
	Independent Auditor's Report
-1-	Statement of Financial Position
-2-	Statement of Activities
-3-	Statement of Functional Expenses
-4-	Statement of Cash Flows
-5- to -8-	Notes to the Financial Statements



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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, 2013, 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, 2013, 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
December 5, 2013

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2013

ASSETS

Current Assets	
Cash and cash equivalents	\$1,501,442
Prepaid expenses	649,016
Credit card receivables	65,312
Accounts receivable (Net of allowance for trip cancellations \$6,557)	25,403
Rental deposits	13,025
Project advances	384,201
Inventory	<u>3,316</u>
Total Current Assets	\$2,641,715
Property & Equipment (Note 1)	
Office and Computer Equipment	363,746
Furniture and Fixtures	247,100
Buildings	1,845,132
Building Improvements	91,847
Construction in Process	123,008
Land and Improvements	294,593
Equipment	12,650
Vehicles	400,507
Less: Accumulated Depreciation	<u>(1,279,354)</u>
Net Property and Equipment	<u>2,099,229</u>
Other Assets	
Restricted Long-Term Marketable CDs, at market value	517,238
Restricted cash and cash equivalents	<u>3,874,507</u>
Net Other Assets	<u>4,391,745</u>
TOTAL ASSETS	<u>\$9,132,689</u>

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts payable	\$45,729
Accrued expenses	81,905
Deferred revenue	<u>63,131</u>
Total Current Liabilities	\$190,765
Total Liabilities	190,765
Net Assets	
Unrestricted	3,697,095
Temporarily restricted	<u>5,244,829</u>
Total Net Assets	<u>8,941,924</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$9,132,689</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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Project Revenue	\$2,195,706	\$14,212,513	\$0	\$16,408,219
Contributions	613,872	-		613,872
IDM Application fees	99,957	-		99,957
Other Revenue	1,398,536	-		1,398,536
Rental Income	26,677	-		26,677
Exchange Rate Gain/(Loss)	(742)	-		(742)
Interest/Dividend Income	9,297	-		9,297
Total Support And Revenue	4,343,303	14,212,513		18,555,816
Net Assets released from restrictions:	<u>13,998,729</u>	<u>(13,998,729)</u>		
Total Revenue and net assets released from restrictions	\$18,342,032	\$213,784		\$18,555,816
EXPENSES:				
Program	15,682,822			15,682,822
Support services:				
Fundraising	524,663			524,663
General & Administrative	<u>1,632,720</u>			<u>1,632,720</u>
Total expenses	17,840,205	-		17,840,205
Change in Net Assets	501,827	213,784		715,611
NET ASSETS, beginning of the year	<u>3,195,268</u>	<u>5,031,045</u>		<u>8,226,313</u>
NET ASSETS, end of the year	<u>\$3,697,095</u>	<u>\$5,244,829</u>	<u>\$0</u>	<u>\$8,941,924</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, 2013

	Support Services			
	<u>Program</u>	<u>General &</u>		<u>Total</u>
	<u>Expenses</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Expenses</u>
Salary	\$3,376,772	\$982,343	\$192,480	\$4,551,595
Payroll taxes	206,389	60,113	12,636	279,138
Advertising/promotion	36,908	21,915	68,983	127,806
Background checks	13,607	5,889	-	19,496
Bank charges	313,892	2,200	417	316,509
Benevolence	7,088	1,660	1,384	10,132
Communications	200,730	27,538	10,463	238,731
Contract services	379,962	235,349	113,560	728,871
Deferred Compensation	1,500	16,002	-	17,502
Depreciation	65,782	68,910	444	135,136
Discipleship training	67,370	-	-	67,370
Dues & subscriptions	15,608	11,787	13,817	41,212
Entertainment & meals	16,270	-	-	16,270
Evangelism	58,141	-	-	58,141
Facility rental	538	10,680	360	11,578
Insurance	146,420	44,427	8,610	199,457
Licenses & permits	5,179	25,167	10,000	40,346
Medical reimbursement	7,692	-	-	7,692
Ministry development	75,422	-	-	75,422
Multimedia	4,711	-	-	4,711
Organizational development	2,710	-	-	2,710
Postage & delivery	29,942	5,482	46,180	81,604
Repairs & maintenance	68,621	27,690	104	96,415
Security	956	-	-	956
Staff counseling & relations	58,915	8,871	1,573	69,359
Summer staff	12,672	-	-	12,672
Supplies	226,718	22,156	13,697	262,571
Travel	6,106,375	25,115	25,576	6,157,066
Training & conferences	230,581	5,884	-	236,465
Unrealized (Gain) Loss on investments	-	(1,422)	-	(1,422)
Utilities	47,467	21,396	4,346	73,209
Worship leader speaker	3,515	-	-	3,515
Vehicle rental	151,735	-	-	151,735
Other trip expenses	3,382,362	3,568	33	3,385,963
Other expenses	360,272	-	-	360,272
Total functional expenses	<u>\$15,682,822</u>	<u>\$1,632,720</u>	<u>\$524,663</u>	<u>\$17,840,205</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, 2013

Cash Flows from operating activities:

Excess revenue over expenses \$715,611

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

Depreciation	135,136
(Increase) Decrease in accounts receivable	3,272
(Increase) Decrease in prepaid expenses	(51,393)
Increase (Decrease) in deferred revenue	(53,038)
(Increase) Decrease in credit card receivable	8,268
(Increase) Decrease in rental deposits	(13,025)
(Increase) Decrease in project advances	18,936
(Increase) Decrease in inventory	(718)
Increase (Decrease) in accounts payable	11,882
Increase (Decrease) in accrued expenses	<u>25,847</u>

Total adjustments 85,167

Net cash provided (used) by operating activities 800,778

Cash flows from investing activities:

Net (Increase) in restricted cash and cash equivalents	(188,073)
Net (increase) in restricted long-term marketable CDs	(1,423)
Fixed asset additions	<u>(284,187)</u>

Net cash provided (used) by investing activities (473,683)

Cash flows from financing activities:

-

Net increase (decrease) in unrestricted cash and cash equivalents 327,095

Unrestricted Cash and cash equivalents at beginning of year 1,174,347

Unrestricted Cash and cash equivalents at end of year \$1,501,442

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, 2013

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, 2013 equals \$2,099,229.

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, 2013

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. As of September 30, 2013, restricted marketable certificates of deposit was \$517,238.

Advertising and Promotion Costs

Adventures follows the policy of charging costs of advertising and promotion to expense as incurred. Advertising and promotion expense was \$127,806.

NOTE 2: CONCENTRATION OF CREDIT RISK

The balance of unrestricted cash and cash equivalents as of September 30, 2013 was \$1,501,442. Restricted cash and cash equivalents was \$3,874,507. 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, 2013.

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

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2013

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 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. The following summarizes these effects for the fiscal year ending September 30, 2013:

GAAP Change in Net Assets (Per Statement of Activities)		\$715,611
Advance Revenue:		
At September 30, 2012	\$4,315,098	
At September 30, 2013	<u>4,433,531</u>	
Net Increase during Fiscal Year 2013		<u>(118,433)</u>
Net Increase Available for Other Than Future Trip Costs		597,178
Other Temporarily Restricted Net Assets:		
At September 30, 2012	715,947	
At September 30, 2013	<u>811,298</u>	
Net Increase during Fiscal Year 2012		<u>(95,351)</u>
Net Increase Available for Unrestricted Future Uses		<u>\$501,827</u>

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2013

World Race Program	\$4,433,531
AIM Staff Support	267,783
Long-Term Missionaries Support	210,672
Swaziland	113,193
Other Projects	<u>219,650</u>
Total:	<u>\$5,244,829</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, 2013, Adventures had restricted cash and cash equivalents and long-term marketable CDs of \$4,391,745, 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 Employees. Employees shall have no right to, or expectation of, any investment or other return on such amounts deferred. \$36,502 in deferred compensation was included in accrued expenses as of September 30, 2013.

NOTE 11: 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 5, 2013, no subsequent events were discovered that would cause these financial statements for the year ending September 30, 2013 to be misleading.