

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2016

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.

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, 2016, 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, 2016, 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.

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

Cleveland, GA
December 6, 2016

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2016

ASSETS

Current Assets	
Cash and cash equivalents	\$876,277
Prepaid expenses	1,010,929
Credit card receivables	37,107
Accounts receivable (Net of allowance for trip cancellations \$6,557)	96,210
Note receivable - America's Home Place	1,000,000
Promise to give	401,776
Rental deposits	2,000
Project advances	540,061
Inventory	<u>53,578</u>
Total Current Assets	\$4,017,938
Property & Equipment	
Office and Computer Equipment	921,055
Furniture and Fixtures	439,211
Buildings	3,262,396
Building Improvements	189,934
Construction in Process	98,903
Land and Improvements	5,819,988
Equipment	174,581
Vehicles	604,003
Less: Accumulated Depreciation	<u>(1,949,616)</u>
Net Property and Equipment	<u>9,560,455</u>
Other Assets	
Restricted investment securities	2,124,166
Promise to give (Long Term Portion)	4,466,528
Restricted cash and cash equivalents	<u>2,839,035</u>
Net Other Assets	<u>9,429,729</u>
TOTAL ASSETS	<u><u>\$23,008,122</u></u>

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts payable	\$36,790
Accrued expenses	310,439
Note Payable - Hamilton State Bank	179,387
Deferred revenue	<u>90,293</u>
Total Current Liabilities	\$616,909
Long-Term Liabilities	
Note Payable - Hamilton State Bank	<u>5,258,443</u>
Total Liabilities	5,875,352
Net Assets	
Unrestricted	10,653,524
Temporarily restricted	<u>6,479,246</u>
Total Net Assets	<u>17,132,770</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$23,008,122</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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Project Revenue	\$1,910,523	\$15,066,281	\$0	\$16,976,804
Contributions	2,934,823	721,428		3,656,251
IDM Application fees	144,106	-		144,106
Other Revenue	173,840	-		173,840
Rental Income	64,801	-		64,801
Product sales	81,542	-		81,542
Staff/Missionary support	2,342,387	-		2,342,387
Exchange Rate Gain/(Loss)	(275)	-		(275)
Interest/Dividend Income	131	-		131
Total Support And Revenue	7,651,878	15,787,709	-	23,439,587
Net Assets released from restrictions:	<u>14,927,659</u>	<u>(14,927,659)</u>	<u>-</u>	<u>-</u>
Total Revenue and net assets released from restrictions	\$22,579,537	\$860,050	\$0	\$23,439,587
EXPENSES:				
Program	19,132,590			19,132,590
Support services:				
Fundraising	457,006			457,006
General & Administrative	<u>2,227,605</u>			<u>2,227,605</u>
Total expenses	21,817,201	-	-	21,817,201
Change in Net Assets	762,336	860,050	-	1,622,386
NET ASSETS, beginning of the year	<u>9,891,188</u>	<u>5,619,196</u>	<u>-</u>	<u>15,510,384</u>
NET ASSETS, end of the year	<u><u>\$10,653,524</u></u>	<u><u>\$6,479,246</u></u>	<u><u>\$0</u></u>	<u><u>\$17,132,770</u></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, 2016

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Expenses</u>	<u>General & Administrative</u>	<u>Fundraising</u>	
Salary	\$5,361,916	\$1,409,300	\$268,033	\$7,039,249
Payroll taxes	332,348	98,608	19,235	450,191
Advertising/promotion	2,188	59,892	-	62,080
Background checks	28,720	-	-	28,720
Bank charges	379,734	489	139	380,362
Communications	134,847	64,034	3,432	202,313
Contract services	421,145	114,331	18,675	554,151
Depreciation	401,320	-	3,712	405,032
Discipleship training	59,056	-	-	59,056
Dues & subscriptions	38,424	68,087	631	107,142
Entertainment & meals	59,068	3,948	5,514	68,530
Facility rental	25,949	-	-	25,949
(Gain) Loss on disposal of assets	(1,032)	-	-	(1,032)
Insurance	1,146,050	90,840	24,739	1,261,629
Interest	16,369	190,817	-	207,186
Licenses & permits	11,475	84,025	16,100	111,600
Organizational development	3,536	-	-	3,536
Postage & delivery	409	2,785	43,137	46,331
Repairs & maintenance	135,809	268	401	136,478
Staff counseling & relations	29,617	7,626	2,645	39,888
Supplies	318,031	26,618	10,934	355,583
Travel	6,344,051	13,306	16,080	6,373,437
Training & conferences	37,246	7,825	130	45,201
Unrealized (Gain) Loss on investments	9,019	-	-	9,019
Utilities	102,468	-	2,744	105,212
Worship leader speaker	24,889	-	-	24,889
Vehicle rental	100,726	-	-	100,726
Other trip expenses	3,390,390	(15,194)	20,725	3,395,921
Other expenses	218,822	-	-	218,822
Total functional expenses	<u>\$19,132,590</u>	<u>\$2,227,605</u>	<u>\$457,006</u>	<u>\$21,817,201</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, 2016

Cash Flows from operating activities:

Change in Net Assets		\$1,622,386
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	405,032	
Gain on disposal of assets	(1,032)	
(Increase) Decrease in accounts receivable	28,436	
(Increase) Decrease in prepaid expenses	(307,846)	
Increase (Decrease) in deferred revenue	(61,880)	
(Increase) Decrease in unconditional promise to give	(368,928)	
(Increase) Decrease in credit card receivable	(4,090)	
(Increase) Decrease in rental deposits	1,350	
(Increase) Decrease in project advances	(218,512)	
(Increase) Decrease in inventory	(11,193)	
Increase (Decrease) in accounts payable	(254,445)	
Increase (Decrease) in accrued expenses	<u>202,763</u>	
Total adjustments		<u>(590,345)</u>
Net cash provided (used) by operating activities		1,032,041

Cash flows from investing activities:

Net decrease in restricted cash and cash equivalents	1,043,506	
Decrease in certificates of deposit	1,029,794	
Net (increase) in investment securities	(2,626,494)	
(Increase) Decrease in note receivable - Grey Media	133,333	
(Increase) Decrease in note receivable - America's Home Place	(1,000,000)	
Fixed asset additions	<u>(1,607,921)</u>	
Net cash provided (used) by investing activities		(3,027,782)

Cash flows from financing activities:

Proceeds from note payable - Hamilton State Bank	914,000	
Principal payments to Hamilton State Bank	<u>(182,054)</u>	
Net cash provided by financing activities		<u>731,946</u>
Net increase (decrease) in unrestricted cash and cash equivalents		(1,263,795)
Unrestricted Cash and cash equivalents at beginning of year		<u>2,140,072</u>
Unrestricted Cash and cash equivalents at end of year		<u><u>\$876,277</u></u>

Interest Paid: \$207,186

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2016

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, 2016 equals \$9,560,455.

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, 2016

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. As of September 30, 2016, restricted marketable marketable equity securities was \$2,124,166.

Advertising and Promotion Costs

Adventures follows the policy of charging costs of advertising and promotion to expense as incurred. Advertising and promotion expense was \$62,080.

NOTE 2: CONCENTRATION OF CREDIT RISK

The balance of unrestricted cash and cash equivalents as of September 30, 2016 was \$876,277. Restricted cash and cash equivalents was \$2,839,035. 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 credit risk exists as of September 30, 2016.

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, 2016

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	\$3,943,475
AIM Staff Support	314,178
Passport	154,368
Gap Year	1,444,158
Other Projects	<u>623,067</u>
Total:	<u>\$6,479,246</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, 2016, Adventures had restricted cash and cash equivalents of \$2,839,035 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 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 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.

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2016

Total Promise to give:

Amount to be received within one year	\$401,776
Amount to be received more than one year	<u>4,466,528</u>
	\$4,868,304

NOTE 11: NOTE RECEIVABLE - AMERICAS HOME PLACE, INC.

On September 13, 2016, the organization entered into a financing agreement with America's Home Place, Inc. (Borrower). Adventures issued funds and a promissory note of \$1,000,000. The interest rate of this note receivable is 10%. Payment of interest shall be calculated and paid on a monthly basis. In addition to interest payments, Borrower shall make principal reduction payments of \$350,000 on or before October 31, 2016, and \$200,000 on or before December 31, 2016. The entire outstanding principal balance, together with any accrued interest shall be payable on or before the maturity date of May 13, 2017. This loan is collateralized by 4 pieces of real estate.

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 9/30/16 is \$4,531,618. 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 \$29,057.66. The total interest paid in 2016 totaled \$187,798.

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 9/30/16 is \$728,713. 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 2016 totaled \$3,163.

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 9/30/16 is \$177,499. 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, 2016 of \$1,413.89. The total interest paid in 2016 totaled \$6,224.

5-Year Maturity:

2017:	\$179,387
2018:	188,254
2019:	196,769
2020:	107,071
After	4,766,349

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.

Adventures in Missions, Inc.
Notes to the Financial Statements
For the year ended September 30, 2016

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 also owns the company America's Home Place, Inc. Mr. Conner is involved with Adventures through transactions involving real estate purchases, charitable giving arrangements, and a note receivable. As of September 30, 2016, 25% of Adventures' total assets involve Mr. Conner and America's Home Place, Inc. Those transactions are the promises to give detailed in Note 10 and the note receivable arrangement detailed in Note 11.

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 6, 2016, no subsequent events were discovered that would cause these financial statements for the year ending September 30, 2016 to be misleading.