

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2018

Adventures in Missions, Inc.

Independent Audit Report

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Mundy&CompanyLLC

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, 2018, and the related statements of activities, expenses by nature & function 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.

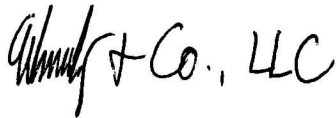
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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.

A handwritten signature in black ink that reads "Wm. & Co., LLC". The signature is written in a cursive, somewhat stylized font.

Cleveland, GA
January 11, 2019

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2018

ASSETS

Current Assets	
Cash and cash equivalents	\$2,808,718
Prepaid expenses	654,507
Accounts receivable (Net of allowance for trip cancellations \$6,557)	167,394
Promise to give	401,776
Rental deposits	9,511
Project advances	654,546
Inventory	<u>40,865</u>
Total Current Assets	4,737,317
Property & Equipment	
Office & computer equipment	1,176,738
Furniture and fixtures	626,352
Buildings & building improvements	3,862,393
Construction in progress	9,522
Land and improvements	5,822,173
Vehicles	639,998
Less: Accumulated depreciation	<u>(2,519,686)</u>
Net Property & Equipment	9,617,490
Other Assets	
Restricted investment securities	2,207,364
Promise to give (Long term portion)	3,613,528
Restricted cash and cash equivalents	<u>912,825</u>
Net Other Assets	<u>6,733,717</u>
TOTAL ASSETS	<u><u>\$21,088,524</u></u>

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts payable	\$173,519
Accrued expenses	21,888
Note Payable - Hamilton State Bank	188,254
Note Payable - Ally Bank	15,227
Deferred revenue	<u>87,990</u>
Total Current Liabilities	486,878
Long-Term Liabilities	
Note payable - Hamilton State Bank	4,838,360
Note payable - Ally Bank	<u>65,844</u>
Total Liabilities	4,904,204
NET ASSETS	
With donor restrictions	4,559,023
Without donor restrictions	<u>11,138,419</u>
Total Net Assets	15,697,442
TOTAL LIABILITIES & NET ASSETS	<u><u>\$21,088,524</u></u>

See accompanying notes and Accountant's Report

Adventures in Missions, Inc.
Statement of Activities
September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Project Revenue	\$3,631,823	\$14,543,590	\$18,175,413
IDM Application fees	112,320	-	112,320
Other Revenue	103,684	-	103,684
Rental Income	39,890	-	39,890
Product sales	81,315	-	81,315
Staff/Missionary support	-	2,930,018	2,930,018
Exchange Rate Gain/(Loss)	(17,519)	-	(17,519)
Interest/Dividend Income	1,051	-	1,051
Capital Gain (Loss)	782	-	782
Unrealized Gain/(Loss)	37,793	-	37,793
Total Support and Revenue	3,991,139	17,473,608	21,464,747
Net assets released from Donor Restrictions	18,946,828	(18,946,828)	-
Total Support & Net assets released from Donor Restrictions	22,937,967	(1,473,220)	21,464,747
EXPENSES:			
Program Services	18,621,602	-	18,621,602
Support Services:			
Fundraising	333,831	-	333,831
General & Administrative	2,491,713	-	2,491,713
Total Expenses	21,447,146	-	21,447,146
Change in Net Assets	1,490,821	(1,473,220)	17,601
Net Assets, beginning of the year	9,647,598	6,032,243	15,679,841
Net Assets, end of the year	\$11,138,419	\$4,559,023	\$15,697,442

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Reporting of Expenses by Nature and Function
September 30, 2018

	Program Expenses	General & Administrative	Fundraising	Total Expenses
Salary	\$5,532,838	\$1,316,544	\$184,552	\$7,033,934
Payroll taxes	316,208	106,747	14,964	437,919
Advertising/promotion	245,573	-	-	245,573
Background checks	50,311	-	-	50,311
Bank charges	375,122	43	62	375,227
Communications	119,581	76,736	2,575	198,892
Contract services	378,869	518,609	18,332	915,810
Depreciation	367,360	3,436	9,423	380,219
Discipleship training	79,659	-	-	79,659
Dues & subscriptions	71,320	100,358	5,388	177,066
Entertainment & meals	1,947,213	3,730	1,938	1,952,881
Facility rental	163,293	660	-	163,953
Insurance	1,125,784	15,485	76	1,141,345
Interest	1,371	209,267	-	210,638
Licenses & taxes	88,544	42,160	13,611	144,315
Organizational development	9,702	-	-	9,702
Postage/printing	11,723	2,358	48,880	62,961
Repairs & maintenance	125,032	5,128	297	130,457
Staff counseling & relations	23,982	4,082	648	28,712
Supplies	325,195	9,985	10,948	346,128
Travel	5,585,982	6,456	2,628	5,595,066
Training & conferences	232,206	4,817	1,638	238,661
Utilities	107,440	23	2,903	110,366
Worship leader speaker	45,659	-	-	45,659
Vehicle/equipment rental	179,182	-	-	179,182
Other trip expenses	979,279	65,089	14,968	1,059,336
Other expenses	133,174	-	-	133,174
Total expenses	\$18,621,602	\$2,491,713	\$333,831	\$21,447,146

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Statement of Cash Flows
September 30, 2018

Cash flows from operating activities:

Change in Net Assets \$17,601

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

Depreciation	
Gain on disposal of assets	(782)
(Increase) Decrease in accounts receivable	26,394
(Increase) Decrease in prepaid expenses	113,514
Increase (Decrease) in deferred revenue	(100,507)
(Increase) Decrease in unconditional promise to give	451,000
(Increase) Decrease in rental deposits	(7,511)
(Increase) Decrease in project advances	(191,340)
(Increase) Decrease in inventory	10,257
Increase (Decrease) in accounts payable	80,828
Increase (Decrease) in accrued expenses	<u>(78,034)</u>

Total adjustments 303,819

Net cash provided (used) by operating activities 321,420

Cash flows from investing activities:

Net (increase) decrease in restricted cash and cash equivalents	1,847,012
Net (increase) decrease in investment securities	(36,833)
Fixed asset additions	<u>(254,635)</u>

Net cash provided (used) by investing activities 1,555,544

Cash flows from financing activities:

Loan proceeds from Ally Bank	84,619
Principal payments to Ally Bank	(3,548)
Principal payments to Hamilton State Bank	<u>(209,794)</u>

Net cash provided (used) by financing activities (121,627)

Net increase (decrease) in unrestricted cash and cash equivalents 1,755,337

Unrestricted cash and cash equivalents at beginning of year 1,053,381

Unrestricted cash and cash equivalents at end of year \$2,808,718

Interest Expense: \$210,638

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2018

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, 2018 equals \$9,617,490.

Income Taxes

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2018

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, 2018.

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 ASC No. 830, "Foreign Currency Matters" 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, 2018 was \$2,808,718. Restricted cash and cash equivalents was \$912,825. 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. Amounts in certain accounts were in excess of insured limits as of September 30, 2018. This credit risk is closely monitored by management.

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, 2018

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, and cash equivalents 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.

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2018

NOTE 9: NET ASSETS RESTRICTED BY DONORS

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

World Race	\$2,507,086
Gap Year	992,495
Staff Support	851,974
LTM	75,586
Church Planting	55,874
CGA	45,160
Other Projects	21,119
Ambassador	9,337
Passport	<u>392</u>
Total:	\$4,559,023

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, 2018, Adventures had restricted cash and cash equivalents of \$912,825 for the types of purposes described above in NOTE 8.

NOTE 11: INVESTMENT SECURITIES

The organization invests in various marketable equity securities. These amounts are recorded in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for Profit Entities* (ASC 958). The board of directors designates only a portion of cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount is computed and appropriated under the organization's investment policy. All amounts are recorded at fair market value as of September 30, 2018 net of investment expenses.

Fund Types

Cash & Equivalents Fund	\$48,842
Fixed Income Funds	1,623,925
Equity Funds	<u>534,597</u>
Total	\$2,207,364

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2018

NOTE 12: 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>3,613,528</u>
	\$4,015,304

NOTE 13: 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 9/30/18 is \$4,188,554. 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, 2018 of \$29,057.66. The total interest paid in 2018 totaled \$173,688.

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 9/30/18 is \$679,101. 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, 2018 of \$4,450.15. The total interest paid in 2018 totaled \$28,094.

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 9/30/18 is \$158,959. 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, 2018 of \$1,413.89. The total interest paid in 2018 totaled \$7,485.

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2018

On June 1, 2018, Adventures purchased bought two Ford passenger vans. Two loans from Ally Bank were obtained. The loans total \$84,619. The total note payable as of 9/30/18 is \$81,071. The interest rate on these loans is a fixed rate of 5.99% for 60 payments, with a current monthly payment amount as of September 30, 2018 of \$799.06 and \$840.53 respectively. The total interest paid in 2018 totaled \$668 and \$703 respectively.

5-Year Maturity:

2019:	203,481
2020:	4,035,481
2021:	820,977
2022:	18,217
2023:	14,392
After	15,137

NOTE 14: 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 15: 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, 2018, 19% of Adventures' total assets involve Mr. Conner. Those transactions are the promises to give detailed in Note 12.

NOTE 16: 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 January 11, 2019, no subsequent events were discovered that would be misleading in regard to the financial statements for the year ending September 30, 2018.

Adventures in Missions, Inc.
Schedule of Accounting - Swaziland
September 30, 2018

	<u>Primary Donor Source</u>	<u>Other Sources</u>	<u>Total</u>
REVENUE:			
General contributions	\$487,417	\$1,077,194	\$1,564,611
Participant support	165,896	-	165,896
Admin fees	(65,138)	(10,426)	(75,564)
Total Revenue	\$588,175	\$1,066,768	\$1,654,943
EXPENSES:			
Subsidized Salary	39,349	7,262	46,611
Subsidized Housing Allowance	47,105	7,736	54,841
Subsidized Payroll taxes	2,752	-	2,752
Admin services	82,771	14,169	96,940
Allowance	-	23,453	23,453
Bank charges	12,147	26,029	38,176
Cash gifts	19,662	564	20,226
Communications	4,936	17,729	22,665
Construction	6,395	125,255	131,650
Contract services	19,665	31,600	51,265
Depreciation	49,157	51	49,208
Discipleship training & materials	55,619	228,265	283,884
Dues	851	-	851
Entertainment & meals	167,735	234,973	402,708
Equipment	70	-	70
Facility rental	3,293	16,091	19,384
Gifts	1,058	892	1,950
Honorariums	-	186	186
Insurance	4,019	5,546	9,565
Janitorial	-	570	570
Licenses & permits	20	-	20
Medical	1,530	39,657	41,187
Multimedia	476	-	476
Organizational development	13	9,689	9,702
Postage & delivery	323	43	366
Repairs & maintenance	12,468	-	12,468
Setup	1,396	8,895	10,291
Staff relations	64	3,124	3,188
Supplies	10,994	14,653	25,647
Translator	7,838	6,442	14,280
Transportation	65,976	124,841	190,817
Travel & lodging	58,519	65,601	124,120
Utilities	3,172	3,658	6,830
Visa passports	115	1,439	1,554
Worship leader	7,545	16,031	23,576
Total expenses	687,033.00	1,034,444.00	1,721,477.00
Net Surplus (Deficit)	(\$98,858)	\$32,324	(\$66,534)