

ADVENTURES IN MISSIONS, INC.

Gainesville, Georgia

Report on Audit of Financial Statements

September 30, 2019

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 non-profit organization), which comprise the statement of financial position as of September 30, 2019, 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, 2019, 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 blue ink that reads "Mundy & Co., LLC". The signature is written in a cursive, flowing style.

Cleveland, GA
January 21, 2020

Adventures in Missions, Inc.
Statement of Financial Position
September 30, 2019

ASSETS

Current Assets	
Cash and cash equivalents	\$1,825,288
Prepaid expenses	\$664,264
Accounts receivable (Net of allowance for trip cancellations \$6,557)	74,027
Promise to give	401,776
Rental deposits	9,511
Project advances	445,701
Inventory	49,115
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Total Current Assets	3,469,682
Property & Equipment	
Office & computer equipment	1,370,138
Furniture and fixtures	668,180
Buildings & building improvements	3,906,317
Construction in progress	108,589
Land and improvements	5,822,173
Vehicles	798,231
Less: Accumulated depreciation	(2,905,861)
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Net Property & Equipment	9,767,767
Other Assets	
Restricted investment securities	2,364,564
Promise to give (Long term portion)	3,220,101
Restricted cash and cash equivalents	612,226
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Net Other Assets	6,196,891
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TOTAL ASSETS	<u>\$19,434,340</u>

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts payable & accrued expenses	\$107,421
Note Payable - Hamilton State Bank	230,210
Note Payable - Ally Bank	14,040
Deferred revenue	44,888
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Total Current Liabilities	396,559
Long-Term Liabilities	
Note payable - Hamilton State Bank	4,577,893
Note payable - Ally Bank	52,020
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Total Liabilities	5,026,472
NET ASSETS	
With donor restrictions	3,253,199
Without donor restrictions	11,154,669
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Total Net Assets	14,407,868
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TOTAL LIABILITIES & NET ASSETS	<u>\$19,434,340</u>

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Statement of Activities
September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Project Revenue	\$4,546,641	\$11,137,119	\$15,683,760
Other Revenue	178,705	-	178,705
Rental Income	33,966	-	33,966
Product sales	78,627	-	78,627
Staff/Missionary support	-	2,747,894	2,747,894
Exchange Rate Gain/(Loss)	(32,805)	-	(32,805)
Interest/Dividend Income	1,496	-	1,496
Capital Gain (Loss)	1,957	-	1,957
Unrealized Gain/(Loss)	157,201	-	157,201
Total Support and Revenue	4,965,788	13,885,013	18,850,801
Net assets released from Donor Restrictions	15,190,837	(15,190,837)	-
Total Support & Net assets released from Donor Restrictions	20,156,625	(1,305,824)	18,850,801
EXPENSES:			
Program Services	17,350,814	-	17,350,814
Support Services:			
Fundraising	304,946	-	304,946
General & Administrative	2,493,188	-	2,493,188
Total Expenses	20,148,948	-	20,148,948
Change in Net Assets	7,677	(1,305,824)	(1,298,147)
Net Assets, beginning of the year	11,146,992	4,559,023	15,706,015
Net Assets, end of the year	<u>\$11,154,669</u>	<u>\$3,253,199</u>	<u>\$14,407,868</u>

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Reporting of Expenses by Nature and Function
September 30, 2019

	Program Expenses	General & Administrative	Fundraising	Total Expenses
Salary	\$4,744,435	\$1,542,487	\$212,694	\$6,499,616
Payroll taxes	296,989	99,279	15,299	411,567
Advertising/promotion	227,961	919	-	228,880
Background checks	54,928	-	-	54,928
Bank charges	322,550	3	-	322,553
Communications	76,679	70,930	1,543	149,152
Contract services	580,929	293,611	984	875,524
Depreciation	377,617	11,006	9,560	398,183
Discipleship training	186,009	-	-	186,009
Dues & subscriptions	157,664	94,813	810	253,287
Entertainment & meals	1,843,243	5,844	1,197	1,850,284
Facility rental	157,310	660	-	157,970
Insurance	535,924	15,361	-	551,285
Interest	4,664	200,550	-	205,214
Licenses & taxes	130,019	31,944	15,511	177,474
Organizational development	12,353	-	-	12,353
Postage/printing	6,732	4,905	33,422	45,059
Repairs & maintenance	79,827	481	-	80,308
Staff counseling & relations	27,170	3,505	219	30,894
Supplies	342,932	8,420	4,532	355,884
Travel	5,851,805	13,021	105	5,864,931
Training & conferences	89,713	10,107	190	100,010
Utilities	121,173	-	2,769	123,942
Worship leader speaker	43,131	-	-	43,131
Vehicle/equipment rental	129,952	687	-	130,639
Other trip expenses	881,718	84,655	6,111	972,484
Other expenses	67,387	-	-	67,387
Total expenses	\$17,350,814	\$2,493,188	\$304,946	\$20,148,948

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.
Statement of Cash Flows
September 30, 2019

Cash flows from operating activities:

Change in Net Assets		(\$1,298,147)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	\$398,183	
Gain on disposal of assets	(1,957)	
(Increase) Decrease in accounts receivable	93,367	
(Increase) Decrease in prepaid expenses	(9,757)	
Increase (Decrease) in deferred revenue	(43,102)	
(Increase) Decrease in unconditional promise to give	393,427	
(Increase) Decrease in project advances	208,845	
(Increase) Decrease in inventory	(8,250)	
Increase (Decrease) in accounts payable & accrued expenses	(87,986)	
Total adjustments		942,770
Net cash provided (used) by operating activities		(355,377)

Cash flows from investing activities:

Net (increase) decrease in restricted cash and cash equivalents	300,599	
Net (increase) decrease in investment securities	(157,200)	
Fixed asset additions	(537,930)	
Net cash provided (used) by investing activities		(394,531)

Cash flows from financing activities:

Principal payments to Ally Bank	(15,011)	
Principal payments to Hamilton State Bank	(218,511)	
Net cash provided (used) by financing activities		(233,522)

Net increase (decrease) in unrestricted cash and cash equivalents		(983,430)
Unrestricted cash and cash equivalents at beginning of year		2,808,718
Unrestricted cash and cash equivalents at end of year		\$1,825,288

Interest Expense: \$205,214

See accompanying notes and Independent Auditors' Report

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2019

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, 2019 equals \$9,767,767.

Income Taxes

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2019

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, 2019.

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 3 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, 2019 was \$1,825,288. Restricted cash and cash equivalents was \$612,226. 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, 2019. 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, 2019

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, 2019

NOTE 9: NET ASSETS RESTRICTED BY DONORS

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

Staff Support	\$1,081,762
World Race	873,769
Gap Year	832,877
Passport	139,253
Church Planting	121,583
Global University	99,046
CGA	56,201
LTM	45,667
Ambassador	<u>3,041</u>
Total:	\$3,253,199

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, 2019, Adventures had restricted cash and cash equivalents of \$612,226 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, 2019 net of investment expenses.

Fund Types

Cash & Equivalents Fund	\$504,587
Fixed Income Funds	1,523,655
Equity Funds	<u>336,322</u>
Total	\$2,364,564

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2019

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>3,220,101</u>
	\$3,621,877

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 9/30/19 is \$4,006,359. 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, 2019 of \$29,057.66. The total interest paid in 2019 totaled \$166,586.

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 9/30/19 is \$652,747. 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, 2019 of \$4,450.15. The total interest paid in 2019 totaled \$26,958.

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 9/30/19 is \$148,997. 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, 2019 of \$1,413.89. The total interest paid in 2019 totaled \$7,006.

Adventures in Missions, Inc.

Notes to the Financial Statements

For the year ending September 30, 2019

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 9/30/19 is \$66,060. 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, 2019 of \$799.06 and \$840.53 respectively. The total interest paid in 2019 totaled \$2,273 and \$2,391 respectively.

5-Year Maturity:

2020:	244,250
2021:	256,665
2022:	267,533
2023:	276,617
2024:	270,330
After	3,558,768

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, 2019, 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 21, 2020, no subsequent events were discovered that would be misleading in regard to the financial statements for the year ending September 30, 2019.