

## **VENTURE EXPEDITIONS**

Burnsville, Minnesota

Financial Statements

Years Ended December 31, 2014 and 2013

# VENTURE EXPEDITIONS

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B O U L A Y

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Venture Expeditions  
Burnsville, Minnesota

We have audited the accompanying financial statements of Venture Expeditions (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 Venture Expeditions as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Boulay PLLP*

Certified Public Accountants

Minneapolis, Minnesota  
June 1, 2015

## VENTURE EXPEDITIONS

### Statements of Financial Position

<b>ASSETS</b>	December 31	
	<b>2014</b>	<b>2013</b>
<b>Current Assets</b>		
Cash	\$ 502,524	\$ 346,721
Other current assets	8,194	-
Total current assets	<u>510,718</u>	<u>346,721</u>
<b>Property and Equipment</b>		
Vehicles	33,770	38,770
Furniture and equipment	15,355	15,355
Computers	12,698	12,073
Totals	<u>61,823</u>	<u>66,198</u>
Less accumulated depreciation	<u>47,251</u>	<u>44,386</u>
Net property and equipment	<u>14,572</u>	<u>21,812</u>
<b>Total assets</b>	<u><u>\$ 525,290</u></u>	<u><u>\$ 368,533</u></u>
<hr/> <b>LIABILITIES AND NET ASSETS</b> <hr/>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,495	\$ 18,434
Accrued compensation	24,403	22,967
Grants payable	-	75,512
Total current liabilities	<u>34,898</u>	<u>116,913</u>
<b>Commitments</b>		
<b>Net Assets</b>		
Unrestricted	244,578	94,246
Temporarily restricted	<u>245,814</u>	<u>157,374</u>
Total net assets	<u>490,392</u>	<u>251,620</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 525,290</u></u>	<u><u>\$ 368,533</u></u>

Notes to Financial Statements are an integral part of this Statement.

## VENTURE EXPEDITIONS

Statements of Activities

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Contributions	\$ 544,981	\$ 710,220	\$ 1,255,201
Special events (net of costs of direct benefits to donors of \$28,657)	38,734	-	38,734
Gifts-in-kind	27,018	489,002	516,020
Net assets released from restrictions	<u>1,110,782</u>	<u>(1,110,782)</u>	<u>-</u>
Total revenue and support	1,721,515	88,440	1,809,955
<b>Expenses</b>			
Program services:			
Missions and missionary programs	928,379	-	928,379
Expeditions	464,596	-	464,596
Supporting services:			
General and administrative	<u>178,208</u>	<u>-</u>	<u>178,208</u>
Total expenses	<u>1,571,183</u>	<u>-</u>	<u>1,571,183</u>
<b>Change in Net Assets</b>	150,332	88,440	238,772
<b>Net Assets - Beginning of Year</b>	<u>94,246</u>	<u>157,374</u>	<u>251,620</u>
<b>Net Assets - End of Year</b>	<u>\$ 244,578</u>	<u>\$ 245,814</u>	<u>\$ 490,392</u>

Notes to Financial Statements are an integral part of this Statement.

## VENTURE EXPEDITIONS

Statements of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Contributions	\$ 486,763	\$ 739,419	\$ 1,226,182
Special events (net of costs of direct benefits to donors of \$16,661)	19,168		19,168
Gifts-in-kind	6,080	340,960	347,040
Net assets released from restrictions	1,023,643	(1,023,643)	-
Total revenue and support	1,535,654	56,736	1,592,390
<b>Expenses</b>			
Program services:			
Missions and missionary programs	733,604	-	733,604
Expeditions	579,462	-	579,462
Supporting services:			
General and administrative	141,555	-	141,555
Total expenses	1,454,621	-	1,454,621
<b>Change in Net Assets</b>	81,033	56,736	137,769
<b>Net Assets - Beginning of Year</b>	13,213	100,638	113,851
<b>Net Assets - End of Year</b>	\$ 94,246	\$ 157,374	\$ 251,620

Notes to Financial Statements are an integral part of this Statement.

## VENTURE EXPEDITIONS

### Statements of Cash Flows

Year Ended December 31,	2014	2013
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 238,772	\$ 137,769
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	7,199	7,623
Gain on sale of equipment	(2,833)	-
Change in assets and liabilities		
Other current assets	(8,194)	-
Accounts payable	(7,939)	2,182
Accrued compensation	1,436	2,446
Grants payable	(75,512)	38,291
Net cash from operating activities	<u>152,929</u>	<u>188,311</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(626)	-
Proceeds from sale of equipment	<u>3,500</u>	<u>-</u>
Net cash from investing activities	<u>2,874</u>	<u>-</u>
<b>Net Increase in Cash</b>	155,803	188,311
<b>Cash – Beginning of Year</b>	<u>346,721</u>	<u>158,410</u>
<b>Cash – End of Year</b>	<u>\$ 502,524</u>	<u>\$ 346,721</u>

Notes to Financial Statements are an integral part of this Statement.

## **VENTURE EXPEDITIONS**

Notes to Financial Statements

December 31, 2014 and 2013

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Nature of Organization*

Venture Expeditions (the Organization) is a nonprofit corporation organized under the laws of the State of Minnesota. The Organization's stated mission is "To empower people to benefit the world and discover their souls through adventure-driven humanitarian efforts." The Organization fosters a community of people who actively respond to the Gospel through a physical sacrifice, in community, with Christ, for Biblical Justice. The Organization accomplishes its mission by using endurance challenges and physical sacrifice to raise funds to help get clean water to Africa, fight human trafficking in Asia, help refugees in Burma and raise awareness for other causes. Physical challenges, including biking across continents, running across states, eating rice and beans for a week or climbing five mountains in five days, have raised financial support and reoriented the lives of participants around Christ's mission to the poor and vulnerable. In addition, the Organization sends and supports well prepared missionaries to focus areas, providing opportunities for people to give financial support to missionaries, nationals and projects. The Organization was founded in 1992 and was formerly named AFC Global. In 2008, the Organization's name was changed to Venture Expeditions. The Organization may also conduct activities under AFC Global as it filed the name with the State of Minnesota as an assumed name.

#### *Accounting Estimates*

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported support, revenues and expenses. Actual results could differ from those estimates.

Significant management estimates include the estimate of the fair value of gifts in kind and the allocation of expenses between program services and supporting services. It is at least reasonably possible that these estimates could change in the near term.

#### *Basis of Presentation*

The Organization presents its financial statements on the accrual basis of accounting. The Organization reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions. The Organization has no permanently restricted net assets as of December 31, 2014 and 2013.

#### *Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### *Cash*

The Organization maintains its accounts primarily at one financial institution. At times throughout the year, the Organization's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

## VENTURE EXPEDITIONS

Notes to Financial Statements

December 31, 2014 and 2013

### Long-Lived Assets

Property and equipment are stated at cost. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized. Depreciation is provided over estimated useful lives by use of the straight line method. Estimated useful lives for property and equipment are as follows:

	<u>Estimated Useful Life</u>
Computers	5 years
Furniture and equipment	7 - 10 years
Vehicles	5 years

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals.

### Income Taxes

The Organization is a nonprofit entity and, therefore, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. Due to its exempt status, the Organization does not have any significant tax uncertainties that would require disclosure. Management of the Organization believes it is no longer subject to tax examinations for the years prior to 2011.

### Basis of Allocating Functional Expenses

The costs of providing various program services and supporting activities of the Organization have been summarized on the functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities.

### Fair Value

The Organization's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adheres to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

## VENTURE EXPEDITIONS

Notes to Financial Statements

December 31, 2014 and 2013

### Subsequent Events

The Organization has evaluated subsequent events through June 1, 2015, the date which the financial statements were available to be issued.

## 2. NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2014</u>	<u>2013</u>
Expeditions	\$ 17,978	\$ 11,759
Missions and Missionary programs	<u>227,836</u>	<u>145,615</u>
Totals	<u>\$ 245,814</u>	<u>\$ 157,374</u>

Temporarily restricted net assets were released from restrictions as follows for 2014 and 2013, as a result of incurring the expenses satisfying their restricted purpose:

	<u>2014</u>	<u>2013</u>
Expeditions	\$ 296,796	\$ 317,506
Missions and Missionary programs	<u>813,986</u>	<u>706,137</u>
Totals	<u>\$ 1,110,782</u>	<u>\$ 1,023,643</u>

## 3. GIFTS-IN-KIND

Donated services are recognized as contributions if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization has estimated the approximate fair value of professional services provided at no charge by two related parties (Note 5) to be \$3,000 in each of the years for 2014 and 2013. In addition, the Organization has estimated the approximate fair value of professional services provided at no charge by unrelated parties to be approximately \$24,000 and \$3,000 for 2014 and 2013, respectively. These professional services related to legal services provided for the Organization and the related expense is included in general and administrative expense. The approximate fair value of professional services is included in gifts-in-kind contributions and expenses in the statement of activities.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in various activities and which do not meet the criteria above. No amounts have been recognized in the statement of activities because these services do not qualify for recognition under accounting principles generally accepted in the United States of America.

The Organization purchases airfare from related corporations as described in Note 5. These related corporations contribute airfare commissions and other airfare costs to the Organization. The Organization has estimated the approximate fair value of these amounts to be \$10,000 and \$32,000 for 2014 and 2013, respectively, which is included in gifts-in-kind contributions and expenses in the statement of activities.

The Organization also receives food donations for its missions programs and expeditions. The Organization has estimated the approximate fair value of these donations to be approximately \$479,000 and \$309,000 for 2014 and 2013, respectively. The approximate fair value of food donations is included in gifts-in-kind contributions and expenses in the statement of activities.

## VENTURE EXPEDITIONS

Notes to Financial Statements

December 31, 2014 and 2013

### 4. GRANTS PAYABLE

Grants which were authorized but unpaid at year-end are reported as liabilities. Grants to be paid in more than one year are discounted to their present value. Grants payable were \$75,512 at December 31, 2013, and the 2013 grants were paid in 2014. There were no grants payable at December 31, 2014.

### 5. TRANSACTIONS WITH RELATED PARTIES

The Organization is related to three other corporations under common management control. The existence of that control could result in financial position and changes in net assets of the Organization that are significantly different from those that would have been obtained if the entities were autonomous.

The Organization received contributions (exclusive of gifts-in-kind) totaling approximately \$145,000 and \$219,000 from two of the corporations during 2014 and 2013, respectively. In addition as described in Note 3, the Organization received donations of services and airfare costs from the three corporations. The Organization was indebted to one of the corporations for accounts payable of approximately \$7,500 and \$4,300 at December 31, 2014 and 2013, respectively.

The Organization has paid the three corporations for the following during the year ended December 31:

	<u>2014</u>	<u>2013</u>
Airfare	\$ 44,399	\$ 11,599
Health insurance	28,428	35,836
Postage and delivery	2,894	3,297
Office supplies	517	2,591
Rent	24,781	14,669
Other expenses	19,359	10,224
Totals	<u>\$ 120,378</u>	<u>\$ 78,216</u>

The Organization subleases office space from one of the related corporations. Through November 2014, the Organization was required to pay minimum rents of approximately \$1,000 per month plus certain common area maintenance costs. In 2014, the lease agreement was amended. The terms of this sublease now require the Organization to pay minimum rents of approximately \$1,800 per month plus certain common area maintenance costs. The sublease expires in October 2017. Rent expense, which includes costs of common area maintenance, was approximately \$25,000 and \$15,000 in 2014 and 2013, respectively.

At December 31, 2014, the Organization had the following minimum commitments (exclusive of payments for common maintenance, real estate taxes and utilities) for payments under the sublease with the related corporation:

	<u>Operating Leases</u>
2015	21,355
2016	21,886
2017	18,608
Total minimum lease commitments	<u>\$ 61,849</u>

## **VENTURE EXPEDITIONS**

Notes to Financial Statements

December 31, 2014 and 2013

### **6. CONCENTRATIONS**

The Organization has received contributions and gifts-in-kind from two corporations under common control with the Organization that comprised approximately 14% of the Organization's revenue and support in 2013, as discussed in Notes 3 and 5.

The Organization has received gifts-in-kind from an unrelated party that comprised approximately 26% and 19% of the Organization's revenue and support in 2014 and 2013, respectively.

The Organization maintains one vehicle in a foreign country located in Southeast Asia. The vehicle has a net book value of approximately \$3,000 and \$4,800 at December 31, 2014 and 2013, respectively.

### **7. SUBSEQUENT EVENT**

On February 19, 2015, the Organization entered into an agreement for the development and acquisition of a branded cloud platform that will support the Organization's current and future vision. The platform is a crowdfunding platform that will allow people to raise money and have a measurable social impact with every mile they bike, hike or run. Under the agreement, the Organization estimates it will incur approximately \$645,000 in development costs and related licensing, maintenance, hosting and technical support costs. Approximately \$300,000 of these costs will be incurred during 2015.