VENTURE EXPEDITIONS

Burnsville, Minnesota

Financial Statements

December 31, 2015 and 2014

VENTURE EXPEDITIONS

CONTENTS

BOULAY

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, 2015 and 2014, 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, 2015 and 2014, 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.

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Emphasis of Matter

As discussed in Note 2 of the financial statements, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-05, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* of the Accounting Standards Codification. The Organization adopted this guidance on January 1, 2015 and it was applied prospectively. In 2015, the Organization had costs of approximately $440,000 related to a cloud-based platform. As a result of the adoption of this standard, the $440,000 is included in 2015 expenses.

Boulay PLLP

Certified Public Accountants

Minneapolis, Minnesota
October 11, 2016

VENTURE EXPEDITIONS

Statements of Financial Position

ASSETS	December 31 2015	December 31 2014
Current Assets		
Cash	$ 494,566	$ 502,524
Other current assets	6,341	8,194
Total current assets	500,907	510,718
Property and Equipment		
Vehicles	33,770	33,770
Furniture and equipment	15,355	15,355
Computers	12,698	12,698
Totals	61,823	61,823
Less accumulated depreciation	52,346	47,251
Net property and equipment	9,477	14,572
Intangible asset	16,500	-
Total assets	$ 526,884	$ 525,290

LIABILITIES AND NET ASSETS	2015	2014
Current Liabilities		
Accounts payable	$ 7,142	$ 10,495
Accrued compensation	31,294	24,403
Total current liabilities	38,436	34,898
Commitments and Contingencies		
Net Assets		
Unrestricted	286,666	244,578
Temporarily restricted	201,782	245,814
Total net assets	488,448	490,392
Total liabilities and net assets	$ 526,884	$ 525,290

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

VENTURE EXPEDITIONS

Statements of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions	$ 537,552	$ 1,110,640	**$ 1,648,192**
Special events (net of costs of direct benefits to donors of $37,512)	50,493	-	**50,493**
Gifts-in-kind	8,437	943,253	**951,690**
Net assets released from restrictions	2,097,925	(2,097,925)	**-**
Total revenue and support	2,694,407	(44,032)	**2,650,375**
Expenses			
Program services:			
Missions and missionary programs	1,752,430	-	**1,752,430**
Expeditions	739,800	-	**739,800**
Supporting services:			
Fundraising	8,800	-	**8,800**
General and administrative	151,289	-	**151,289**
Total expenses	2,652,319	-	**2,652,319**
Change in Net Assets	42,088	(44,032)	**(1,944)**
Net Assets - Beginning of Year	244,578	245,814	**490,392**
Net Assets - End of Year	$ 286,666	$ 201,782	**$ 488,448**

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
Revenue and Support			
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	1,110,782	(1,110,782)	**-**
Total revenue and support	1,721,515	88,440	**1,809,955**
Expenses			
Program services:			
Missions and missionary programs	928,379	-	**928,379**
Expeditions	464,596	-	**464,596**
Supporting services:			
General and administrative	178,208	-	**178,208**
Total expenses	1,571,183	**-**	**1,571,183**
Change in Net Assets	150,332	88,440	**238,772**
Net Assets - Beginning of Year	94,246	157,374	**251,620**
Net Assets - End of Year	$ 244,578	$ 245,814	**$ 490,392**

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

VENTURE EXPEDITIONS

Statements of Cash Flows

Year Ended December 31,	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ (1,944)	$ 238,772
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	5,095	7,199
Gain on sale of equipment	-	(2,833)
Change in assets and liabilities		
Other current assets	1,853	(8,194)
Accounts payable	(3,353)	(7,939)
Accrued compensation	6,891	1,436
Grants payable	-	(75,512)
Net cash provided by operating activities	8,542	152,929
Cash Flows from Investing Activities		
Purchase of intangible asset	(16,500)	-
Purchase of property and equipment	-	(626)
Proceeds from sale of equipment	-	3,500
Net cash provided by (used for) investing activities	(16,500)	2,874
Net Increase (Decrease) in Cash	(7,958)	155,803
Cash – Beginning of Year	502,524	346,721
Cash – End of Year	$ 494,566	$ 502,524

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Activities

Venture Expeditions (the Organization) is a nonprofit corporation organized in 1992 under the laws of the State of Minnesota. Venture Expeditions seeks to use our greatest energies to respond to the world's greatest needs. We identify some of the gravest injustices and greatest needs, like human trafficking in Nepal, forced child labor in Vietnam, the cycle of war and violence in eastern and central Africa and its dire impact on the children there, or the genocide and the resulting refugee situation in Thailand and Burma. We then partner with leaders, organizations, and communities in these areas to develop strategies to address these injustices and offer hope. With these needs and strategies we then engage individuals, campuses, churches, and groups to raise funds and awareness through biking, hiking, and running, inviting individuals, churches, schools, and organizations to sacrificially participate in bringing hope in a way that inspires their communities. And this process changes everyone involved. Above all, we respond in obedience to Christ, who first saved us. And in responding to dire needs around the world, we become a picture of His love and hope. And in responding we open doors to share the saving Gospel of Jesus wherever we go.

The Organization accomplishes its mission through the following programs:

Missions and missionary programs – the Organization sends and supports well prepared missionaries to focus areas, providing opportunities for people to give financial support to missionaries, nationals, and projects, which includes providing food aid to international locations.

Expeditions – the Organization fosters a community of people who actively respond to the Gospel through physical sacrifice.

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, 2015 and 2014.

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.

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:

	Estimated Useful Life
Computers	5 years
Furniture and equipment	7 - 10 years
Vehicles	5 years

Intangible asset consists of costs of a domain name. Due to this asset having an indeterminate life, no amortization is reflected.

Long-lived assets, such as property and equipment and purchased intangible assets, 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. There were no impairment losses recognized in 2015 and 2014.

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. The Organization files a return in the U.S. federal and Minnesota jurisdictions. Management of the Organization believes it is no longer subject to tax examinations for the years prior to 2012.

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 statements 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.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which will change how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and related notes about the organization's liquidity, financial performance, and cash flows. The amendment was issued for the purposes of reducing complexities as well as improving the usefulness and relevance of the information provided to donors, grantors, creditors, and other financial statement users about a not-for-profit entity's resources, and the changes in those resources. The new standard is effective for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The standard is to be applied on a retrospective basis in the year it is first applied. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 11, 2016, the date which the financial statements were available to be issued.

2. EXPEDITION PROGRAM AND CLOUD COMPUTING APPLICATION DEVELOPMENT

During 2015, the Organization entered into a contract and began incurring costs related to the development of a cloud-based computing application for the management and support of its expeditions program and the Organization's vision of an application that enables participants to have a measurable social impact for every mile they bike, hike, or run. During 2015, the Organization incurred approximately $440,000 of costs related to this development, which includes approximately $105,000 of costs that were donated by the developer of the application (see Note 4). The Organization expects the development of this application will be completed and launched in 2017. Under the development contract, the Organization estimates it will incur development costs and related maintenance, hosting, and technical support costs of $170,000 for each of the years ending December 31, 2016 and 2017.

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* of the Accounting Standards Codification. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The guidance may be applied either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Organization adopted this guidance on January 1, 2015 and it was applied prospectively. The cloud computing application development costs incurred as discussed above are within the scope of this new accounting standard. Therefore, the $440,000 of costs incurred in 2015 have been included in 2015 expenses rather than at least a portion of the costs being capitalized.

The functionality within the application is being designed to not only support the Organization's various expeditions, but to also include the ability for the donors to contribute to the expeditions. Management estimates that of the total costs incurred in 2015, $431,200 relates to the expedition program and $8,800 relates to the fund-raising element of the application. This estimate is a significant management estimate.

3. NET ASSETS

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

	2015	2014
Expeditions	**$ 24,222**	$ 17,978
Missions and Missionary programs	**177,560**	227,836
Totals	**$ 201,782**	$ 245,814

Temporarily restricted net assets were released from restrictions as follows for 2015 and 2014, as a result of incurring the expenses satisfying their restricted purpose:

	2015	2014
Expeditions	**$ 365,735**	$ 296,796
Missions and Missionary programs	**1,732,190**	813,986
Totals	**$ 2,097,925**	$ 1,110,782

4. 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 related parties (Note 5) to be $3,000 during 2015 and 2014. In addition, the Organization has estimated the approximate fair value of professional services provided at no charge by unrelated parties to be approximately $111,000 and $24,000 for the years ended December 31, 2015 and 2014, respectively. These professional services related to software development of approximately $105,000 and legal services of approximately $6,000 which were provided for the Organization during the year ended December 31, 2015 and for legal services for the year ended December 31, 2014. The approximate fair value of professional services is included in gifts-in-kind contributions and expenses in the statement of activities. The related expense is included in expeditions for the software implementation and in general and administrative expense for the legal services.

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, at times, 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 for 2014, which is included in gifts-in-kind contributions and expenses in the statement of activities. No amounts were contributed in the year ended December 31, 2015.

The Organization also receives food donations for its missions programs. The Organization has estimated the fair value of these donations to be approximately $838,000 and $479,000 for 2015 and 2014, respectively. The approximate fair value of food donations is included in gifts-in-kind contributions and mission program expenses in the statement of activities.

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 $441,000 and $145,000 from these corporations and related individuals during 2015 and 2014, respectively. In addition, as described in Note 4, in 2014 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 at December 31, 2014.

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

	2015	2014
Airfare	**$ 19,558**	$ 44,399
Health insurance	**10,655**	28,428
Postage and delivery	**3,655**	2,894
Office supplies	**311**	517
Rent	**21,699**	24,781
Other expenses	**26,148**	19,359
Totals	**$ 82,026**	$ 120,378

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 resulting in lease payments of approximately $1,800 through June 2015 and approximately $1,300 thereafter plus certain common area maintenance costs. The sublease expires in October 2017. Rent expense, which includes costs of common area maintenance, was approximately $22,000 and $25,000 in 2015 and 2014, respectively.

At December 31, 2015, the Organization had the following minimum commitments (exclusive of payments for common area maintenance, real estate taxes and utilities) for payments under the sublease with the related corporation:

	Operating Leases
2016	15,000
2017	13,000
Total minimum lease commitments	$ 28,000

6. CONCENTRATIONS

The Organization has received contributions and gifts-in-kind from corporations under common control with the Organization and related individuals of the Organization that comprised approximately 16% and 14% of the Organization's revenue and support in 2015 and 2014, respectively, as discussed in Notes 4 and 5.

The Organization has received gifts-in-kind from an unrelated party that comprised approximately 31% and 26% of the Organization's revenue and support in 2015 and 2014, respectively.

The Organization maintains one vehicle in a foreign country located in Southeast Asia. The vehicle has a net book value of approximately $1,100 and $3,000 at December 31, 2015 and 2014, respectively.

7. PROFIT SHARING PLAN

The Organization has a discretionary 401(k) profit sharing plan for substantially all employees who have attained a certain age and met service requirements. The Organization makes a safe harbor matching contribution of 100% of the employee's elective deferral not to exceed 4% of eligible compensation. Contributions to the plan are subject to certain limits under the Internal Revenue Code. Contributions of approximately $2,000 and $600 were made for the years ended December 31, 2015 and 2014, respectively.