

ARCTIC BARNABAS MINISTRIES, INC.

FINANCIAL STATEMENTS

June 30, 2022

ARCTIC BARNABAS MINISTRIES, INC.

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# LAMBE, TUTER & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Management of  
Arctic Barnabas Ministries, Inc.  
Kenai, Alaska

We have reviewed the accompanying financial statements of Arctic Barnabas Ministries, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Arctic Barnabas Ministries, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

## Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Janbe Tutei Associates". The signature is written in black ink on a light-colored background.

Soldotna, Alaska  
January 24, 2023

ARCTIC BARNABAS MINISTRIES, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2022

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 648,412
Accounts receivable	4,810
Total current assets	<u>653,222</u>
PROPERTY AND EQUIPMENT	
Less accumulated depreciation	1,458,501
	<u>(514,704)</u>
	<u>943,797</u>
TOTAL ASSETS	<u>\$ 1,597,019</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 15,012
Accrued expenses	55,277
Deferred program revenue	877
Total current liabilities	<u>71,166</u>
NET ASSETS	
Without donor restrictions	1,514,527
With donor restrictions	11,326
Total net assets	<u>1,525,853</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,597,019</u>

See independent accountant's review report and notes to financial statements.

ARCTIC BARNABAS MINISTRIES, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

REVENUE FROM CONTRACTS	
Aviation program revenue	\$ 45,009
Total revenue from contracts	<u>45,009</u>
PUBLIC SUPPORT AND REVENUE	
Contributions	961,411
Noncash contribution	1,500
Total public support	<u>962,911</u>
Total revenues and other support without donor restrictions	1,007,920
EXPENSES	
Program	727,209
General and administrative	146,276
Fundraising	45,913
Total expenses	<u>919,398</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	<u>88,522</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM NON-OPERATING ACTIVITIES	
Interest income	307
Gain on sale of equipment	8,121
	<u>8,428</u>
NET ASSETS RELEASED FROM RESTRICTIONS	
Satisfaction of donor restriction	<u>150</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>97,100</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	
PUBLIC SUPPORT AND REVENUE	
Contributions	3,939
	<u>3,939</u>
NET ASSETS RELEASED FROM RESTRICTIONS	
Satisfaction of donor restriction	<u>(150)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>3,789</u>
INCREASE IN NET ASSETS	100,889
NET ASSETS, BEGINNING OF YEAR	<u>1,424,964</u>
NET ASSETS, END OF YEAR	<u>\$ 1,525,853</u>

See independent accountant's review report and notes to financial statements.

ARCTIC BARNABAS MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2022

	<u>PROGRAM SERVICES</u>			<u>SUPPORT SERVICES</u>		<u>Total Expenses</u>
	<u>Ministry Program</u>	<u>Aviation Program</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and related costs and benefits	\$ 357,025	\$ 77,945	\$ 434,970	\$ 67,415	\$ 26,776	\$ 529,161
Staff ministry expenses	90,690	18,172	108,862	17,354	5,754	131,970
Depreciation	-	34,279	34,279	19,282	-	53,561
Repairs and maintenance	750	33,642	34,392	14	-	34,406
Insurance	22	10,697	10,719	9,660	-	20,379
Travel	14,556	3,845	18,401	16	6	18,423
Supplies	14,555	838	15,393	2,029	317	17,739
Conferences and meetings	15,717	-	15,717	-	-	15,717
Professional fees	-	-	-	10,356	4,497	14,853
Rent and utilities	-	14,118	14,118	-	-	14,118
Fuel and oil	658	13,265	13,923	-	-	13,923
Lodging	3,429	6,193	9,622	203	1,094	10,919
Food	7,587	969	8,556	501	1,378	10,435
Bank fees	-	-	-	8,942	-	8,942
Information technology	1,996	1,334	3,330	2,599	216	6,145
Printing and publications	282	29	311	3,901	-	4,212
Miscellaneous	2,922	1,694	4,616	4,004	5,875	14,495
	<u>\$ 510,189</u>	<u>\$ 217,020</u>	<u>\$ 727,209</u>	<u>\$ 146,276</u>	<u>\$ 45,913</u>	<u>\$ 919,398</u>

See independent accountant's review report and notes to financial statements.

ARCTIC BARNABAS MINISTRIES, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING AND NON-OPERATING ACTIVITIES	
Cash received from donors, rental activity and government assistance	\$ 1,006,453
Cash paid to employees and suppliers	(873,433)
Interest received	307
Net cash provided by operating activities	133,327
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(53,855)
Proceeds from sale of equipment	13,100
Net cash used by investing activities	(40,755)
NET INCREASE IN CASH AND CASH EQUIVALENTS	92,572
CASH AND CASH EQUIVALENTS, beginning	555,840
CASH AND CASH EQUIVALENTS, ending	\$ 648,412
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING AND NON-OPERATING ACTIVITIES	
CHANGE IN NET ASSETS	\$ 100,889
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING AND NON-OPERATING ACTIVITIES	
Depreciation	53,561
Non-cash contribution	(1,500)
Gain on sale of equipment	(8,121)
Increase in accounts receivable	(3,906)
Decrease in accounts payable	(11,693)
Increase in accrued expense	4,097
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,438
	\$ 133,327

SUPPLEMENTARY INFORMATION ON NON-CASH TRANSACTION

The Organization received donated property recorded at \$1,500.

See independent accountant's review report and notes to financial statements.



ARCTIC BARNABAS MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

1. NATURE OF THE ORGANIZATION

Arctic Barnabas Ministries, Inc. was formed as a nonprofit corporation in the State of Alaska to strengthen and encourage pastors, missionaries and their families to effectively advance the gospel of Jesus Christ throughout Alaska, Northern Canada, and Far East Russia. The Organization is supported through aviation contracts and public support.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

*Net assets without donor restrictions* are those amounts currently available at the discretion of the Board of Directors for use in Arctic Barnabas Ministries, Inc.'s operations.

*Net assets with donor restrictions* are those amounts that are stipulated by donors or grantors for specific operating purposes. Revenue from grants and contracts are recognized as earned when the Organization has incurred expenditures in compliance with the specific grant or contract. It also includes amounts for which the principal is stipulated by a donor or grantor to be invested in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance calculated is based on experience and management's estimate. Receivables are considered impaired if full principle payments are not received in accordance with the contractual terms. It is the Organization's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected. No receivables are considered impaired, therefore, no provision is considered necessary at June 30, 2022. Beginning balance for accounts receivable for the year ended June 30, 2022 was \$904, and was fully collected during the year.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded for non-aviation assets at cost or, if donated, at fair market value at the date of donation. Depreciation is calculated using the straight-line method. The value of an engine and the cost to overhaul it are a large portion of the total cost of purchasing and operating an aircraft. The cost of engines and props are segregated from the remaining costs of the aircraft and depreciated over the expected life of each. When an engine is overhauled, the cost of the new engine is capitalized and then depreciated over the useful life of the engine.

ARCTIC BARNABAS MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as donor support that increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions.

A portion of the Organization's support is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as support when expenditures are incurred in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Grants receivable, if any, represent the excess of allowable expenses over cash receipts.

Donated Services and Property

Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased, if not donated. Donated equipment and property is recorded as a contribution at fair market value at the time it is received and placed into service or management has designated it as an asset held for resale.

Functional Expense Allocation

Directly identifiable expenses are charged to programs, general and administrative services, and fund-raising. Expenses related to more than one function are charged to each function on the basis of time studies and management estimates based upon prior experience. General and administrative expenses include those expenses that are not directly chargeable to any other specific function but provide for the overall support and direction of the Organization.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and applicable state law.

The Organization files its form 990 in the U.S. federal jurisdiction of the attorney general for the State of Alaska. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2017.

ARCTIC BARNABAS MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

3. CORRECTION OF AN ERROR

The beginning composition of net assets for Arctic Barnabas Ministries, Inc, was incorrect for the year ending June 30, 2022 and needed to be restated. The following is the adjustment that was correcting the error for under reporting net assets with donor restrictions.

	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Total
Original balance 6/30/2021	\$ -	\$ 1,424,964	\$ 1,424,964
Adjustment	7,537	(7,537)	-
Adjusted balance at 6/30/2021	\$ 7,537	\$ 1,417,427	\$ 1,424,964

4. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a financial institution where funds are insured by the National Credit Union Administration up to \$250,000. Deposits held in excess of the limits are not insured or collateralized.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022:

Office building and hangar	\$ 808,383
Equipment	143,506
Aircraft	489,112
Donated Land	17,500
	1,458,501
Less accumulated depreciation	(514,704)
	\$ 943,797

Depreciation expense is \$53,561 for the year ended June 30, 2022 and is allocated to aviation program and general and administrative expenses on the statement of functional expense.

Included in equipment is \$31,656 is aircraft upgrade costs, not in service and not completed at year end. This project will be completed after the airplane can be flown back to Alaska. Also included in equipment is \$1,500 from a contributed nonfinancial asset. The fair market value was determined at the date placed in service, which was not at year-end. The asset was utilized in the year then ended.

ARCTIC BARNABAS MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
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6. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Organization sponsors a defined contribution plan (the Plan) covering all career staff employees. The Organization makes a contribution to the Plan each year matching employee contributions up to 3% of total compensation. Total expenses for the year ended June 30, 2022 were \$2,128 and are included in salaries and related costs and benefits on the statement of functional expense.

7. FAIR MARKET MEASUREMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

- Level 1- Quoted market prices in active markets for identical assets or liabilities.
- Level 2- Observable market-based inputs or unobservable inputs corroborated by market data.
- Level 3- Unobservable inputs reflecting the reporting entity's own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques followed need to maximize the use of the observable inputs and minimize the use of unobservable inputs.

Fair values of assets measured on a nonrecurring basis at June 30, 2022 are the following:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Donated vehicle	\$ 1,500	\$ -	\$ 1,500	\$ -
	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ -</u>

Arctic Barnabas Ministries, Inc. considers the measurement of its receipt of a contributed vehicle to be a Level 2 measurement within the fair value measurement hierarchy because the measurement is based on the fair value of assets reported by the donor.

ARCTIC BARNABAS MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

8. LEASED FACILITIES

Arctic Barnabas Ministries, Inc. has entered into a long-term lease with the City of Kenai for land used for the Organization’s office building and hangar. The lease term expires June 30, 2052 and is payable annually at \$6,160 with five year adjustments at the discretion of the City of Kenai.

<u>Years ended June 30,</u>		
2023	\$	6,160
2024		6,160
2025		6,160
2026		6,160
2027		6,160

Rent expense was \$5,771 for the year ended June 30, 2022 and is included in the rent and utilities expense category.

9. NET ASSETS WITHOUT DONOR RESTRICTION

As of June 30, 2022, the Organization’s Board of Directors has placed the following designations on net assets without donor restrictions:

Undesignated	\$ 570,730
Net investment in property and equipment	943,797
Total net assets without donor restrictions	\$ 1,514,527

10. NET ASSETS WITH DONOR RESTRICTION

As of June 30, 2022, net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose	
Regional Fund- Bristol Bay	\$ 7,100
LOTH Kenai	3,987
C206 Upgrade	239
Total net assets with donor restrictions	\$ 11,326

ARCTIC BARNABAS MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

11. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board-designated endowments. These board designations could be drawn upon if the Board approves that action.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial Assets	
Cash and cash equivalents	\$ 648,412
Accounts receivable	4,810
Financial assets, at year end	<u>\$ 653,222</u>
Less those unavailable for general expenditure in one year due to:	
Subject to expenditure for donor-specified purposes	<u>(11,326)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 641,896</u>

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 24, 2023, which is the date the financial statements were available to be issued.

At December 31, 2022, the executive director stepped down from operations. Starting January 1, 2023, a new executive director began managing the Organization.