

ARCTIC BARNABAS MINISTRIES, INC.

FINANCIAL STATEMENTS

(With Independent Accountant's Review Report Thereon)

Year Ended June 30, 2023



ARCTIC BARNABAS MINISTRIES, INC.

FINANCIAL STATEMENTS

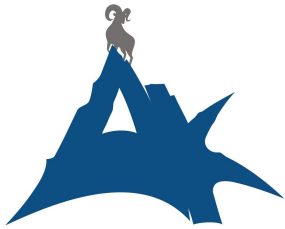
(With Independent Accountant's Review Report Thereon)

Year Ended June 30, 2023

ARCTIC BARNABAS MINISTRIES, INC.

TABLE OF CONTENTS

Independent Accountant’s Review Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows.	5
Notes to Financial Statements.....	6-11



PORTER & ALLISON

INC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Review Report

To the Board of Directors of the
Arctic Barnabas Ministries, Inc.
Anchorage, Alaska

We have reviewed the accompanying financial statements of Arctic Barnabas Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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.

Porter & Allison, Inc.

Anchorage, Alaska
February 13, 2024

FINANCIAL STATEMENTS

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Financial Position

June 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 589,427
Accounts receivable	<u>37,958</u>

Total Current Assets 627,385

Property and equipment, net of accumulated depreciation 911,682

Right of use asset - operating lease 149,659

Total Assets \$ 1,688,726

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 16,568
Accrued expenses	30,252
Current portion of operating lease liability	2,870
Deferred program revenues	<u>877</u>

Total Current Liabilities 50,567

Operating lease liability, net of current portion 147,294

Total Liabilities 197,861

Net Assets:

Without Donor Restrictions	1,479,778
With Donor Restrictions	<u>11,087</u>

Total Net Assets 1,490,865

Total Liabilities and Net Assets \$ 1,688,726

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

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Support and Revenues:			
Support:			
Contributions	\$ 1,011,401	-	1,011,401
Noncash contribution	-	-	-
Net assets released from restrictions	239	(239)	-
Total Support	<u>1,011,640</u>	<u>(239)</u>	<u>1,011,401</u>
Revenues:			
Aviation program revenues	50,252	-	50,252
Total Support and Revenues	<u>1,061,892</u>	<u>(239)</u>	<u>1,061,653</u>
Expenses:			
Program services	866,142	-	866,142
General and administrative	171,601	-	171,601
Fundraising	59,281	-	59,281
Total Expenses	<u>1,097,024</u>	<u>-</u>	<u>1,097,024</u>
Change in Net Assets from Operating Activities	<u>(35,132)</u>	<u>(239)</u>	<u>(35,371)</u>
Non-Operating Activities:			
Interest income	383	-	383
Gain on sale of equipment	-	-	-
Change in Net Assets from Non-Operating Activities	<u>383</u>	<u>-</u>	<u>383</u>
Change in Net Assets	(34,749)	(239)	(34,988)
Net Assets, beginning of year	<u>1,514,527</u>	<u>11,326</u>	<u>1,525,853</u>
Net Assets, end of year	<u>\$ 1,479,778</u>	<u>11,087</u>	<u>1,490,865</u>

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

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services			Support Services		Total
	Ministry Program	Aviation Program	Total	General and Administrative	Fundraising	
Expenses:						
Salaries and related cost and benefits	\$ 382,262	83,455	465,717	72,180	28,668	566,565
Staff ministry expenses	80,391	16,109	96,500	15,383	5,101	116,984
Depreciation	-	39,566	39,566	22,256	-	61,822
Repairs and Maintenance	728	32,670	33,398	13	-	33,411
Insurance	34	15,994	16,028	14,443	-	30,471
Travel	31,226	8,248	39,474	36	12	39,522
Supplies	23,639	1,360	24,999	3,296	516	28,811
Conferences and meetings	27,428	-	27,428	-	-	27,428
Professional fees	-	-	-	9,584	4,162	13,746
Rent and utilities	-	17,341	17,341	-	-	17,341
Fuel and oil	1,965	39,584	41,549	-	-	41,549
Lodging	3,324	6,004	9,328	197	1,061	10,586
Food	11,669	1,491	13,160	770	2,120	16,050
Bank fees	-	-	-	11,317	-	11,317
Information technology	1,336	893	2,229	1,740	144	4,113
Printing and publications	611	64	675	8,462	-	9,137
Donations	25,000	-	25,000	-	-	25,000
Miscellaneous	8,703	5,047	13,750	11,924	17,497	43,171
Total Expenses	\$ 598,316	267,826	866,142	171,601	59,281	1,097,024

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

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Cash received from donors, rental activity and government assistance	\$ 1,028,505
Cash paid to employees and suppliers	(1,058,166)
Interest received	383
Net cash from operating activities	<u>(29,278)</u>
Cash Flows from Investing Activities:	
Purchase of property and equipment	<u>(29,707)</u>
Net decrease in Cash and Cash Equivalents	(58,985)
Cash and cash equivalents, beginning of year	<u>648,412</u>
Cash and cash equivalents, end of year	<u><u>\$ 589,427</u></u>
Cash Flows from Operating Activities:	
Change in net assets	\$ (34,988)
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation	61,822
Amortization of operating right of use asset	505
Bad Debt Expense	-
(Increase) decrease in assets:	
Accounts receivable	(33,148)
Increase (decrease) in liabilities:	
Accounts payable	1,556
Accrued expenses	<u>(25,025)</u>
Net Cash Flows from Operating Activities	<u><u>\$ (29,278)</u></u>
Supplemental disclosure of non-cash information:	
Acquisition of right of use lease asset	<u><u>\$ 152,635</u></u>
<i>See accompanying notes to financial statements and independent accountant's review report</i>	

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 – Nature of Operations

Arctic Barnabas Ministries, Inc. (the Organization) 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.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The accounting policies conform to accounting principles generally accepted in the United States of America as applicable. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”).

Net Assets

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

Contribution Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Year Ended June 30, 2023

present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. the Organization's contributions receivable consisted of unconditional contributions from individuals and grantors, all of which are expected to be collected within one year. Based upon historical collection experience, management has determined that no allowance for doubtful accounts is necessary.

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.

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.

Lease Liability and Right of Use Assets

The Organization leases land used for the Organization's office building and hangar. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is a lease if it conveys the right to control the use of an identified assets for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all the economic benefits from use of the asset and the right to direct its use. Management reassesses this determination if terms and conditions of the contract are changed.

Operating leases are included in operating right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. ROU assets represent the Organization's right to use the underlying assets for the duration of the lease contract, and lease liabilities represent the obligation to make lease payments in future periods. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments to be paid over the lease term. The discount rate for the present value calculation is based on the risk-free treasury rate at the inception of the lease. Operating lease ROU assets include any lease payments made and exclude any lease incentives. Lease expense is recognized on a straight-line bases over the lease term. No lease agreements contain material residual value guarantees. Costs of leases with a term shorter than one year are expensed ratably over the lease term and future obligations on short-term leases are not recognized on the statement of

In-Kind Contributions

Contributions of services are recognized when they are received if the services (a) create or enhance

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Year Ended June 30, 2023

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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances.

A portion of our revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Revenues

The Organization recognizes revenue from aviation activities when the performance obligations of providing the services are met.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

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.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Income Taxes

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization is generally no longer subject to examination by the Internal Revenue Service after three years from the date of the filing.

Subsequent Events

The Organization has evaluated subsequent events through February 13, 2024, the date on which the financial statements were issued.

Note 3 – Cash and Cash Equivalents

The Organization maintains cash balances at a financial institution where funds are insured by the National Credit Union Administration (NCUA) up to \$250,000. At year end \$381,436 were held in excess of the insured NCUA limit.

Note 4 – Property and Equipment

Property and equipment, net consisted of the following at June 30, 2023:

Office building and hangar	\$	819,867
Equipment		143,506
Aircraft		496,711
Donated Land		17,500
Less accumulated depreciation		<u>(565,902)</u>
Property and Equipment, Net	\$	<u>911,682</u>

Depreciation expense is \$61,822 for the year ended June 30, 2023 and is allocated to aviation program and general and administrative expenses on the statement of functional expense.

Note 5 – Leases

The Organization 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 monthly with five year adjustments at the discretion of the City of Kenai. The expense recorded for this lease totaled \$7,688 for June 30, 2023.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Year Ended June 30, 2023

The expected future minimum lease payments related to the lease for the year ended June 30, 2023, are as follows:

2024	\$	7,688
2025		7,688
2026		7,688
2027		7,688
2028		7,688
Thereafter		<u>192,190</u>
		230,630
Imputed interest		<u>(80,466)</u>
Operating lease liability	\$	<u><u>150,164</u></u>

Note 6 – Net Assets Without Donor Restrictions

As of June 30, 2023, the Organization's Board of Directors has placed the following designations on net assets without donor restrictions:

Undesignated	\$	568,096
Net investment in property and equipment		<u>911,682</u>
Total Net Assets Without Donor Restrictions	\$	<u><u>1,479,778</u></u>

Note 7 – Net Assets With Donor Restrictions

As of June 30, 2023, net assets with donor restrictions are restricted for the following purposes:

Subject to restrictions for specific purpose:		
Regional Fund – Bristol Bay	\$	7,100
LOTH Kenai		<u>3,987</u>
Total Net Assets Without Donor Restrictions	\$	<u><u>11,087</u></u>

Net assets release from donor restrictions were related to the upgrades to the C206 aircraft.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 8 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$	589,427
Accounts receivable		<u>37,958</u>
Financial assets, at year end		627,385
Less those unavailable for general expenditures in one year due to:		
Subject to donor-specified purposes		<u>(11,087)</u>
Financial assets available for general expenditure within one year	\$	<u><u>616,298</u></u>

As part of its liquidity management, the Organization has structured its financial assets to be available as its general expenses, liabilities, and other obligations come due.