

ARCTIC BARNABAS MINISTRIES, INC.

FINANCIAL STATEMENTS

(With Independent Accountant's Review Report Thereon)

Eighteen Months Ended December 31, 2024



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PORTER & ALLISON

INC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Review Report

To the Board of Directors of the
Arctic Barnabas Ministries, Inc.
Kenai, 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 December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the eighteen months 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
November 24, 2025

FINANCIAL STATEMENTS

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Financial Position

December 31, 2024

Assets

Current Assets:

Cash and cash equivalents	\$ 937,608
Accounts receivable	<u>10,750</u>

Total Current Assets 948,358

Investment in National Christian Foundation	28,115
Property and equipment, net of accumulated depreciation	842,917
Right of use asset - operating lease	<u>141,971</u>

Total Assets \$ 1,961,361

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 4,830
Accrued expenses	45,973
Current portion of operating lease liability	2,870
Deferred program revenues	<u>877</u>

Total Current Liabilities 54,550

Operating lease liability, net of current portion 139,606

Total Liabilities 194,156

Net Assets:

Without Donor Restrictions	<u>1,767,205</u>
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Total Liabilities and Net Assets \$ 1,961,361

See accompanying notes to financial statements.

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Activities Eighteen Months Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Support and Revenues:			
Support:			
Contributions	\$ 1,858,525	-	1,858,525
Noncash contribution	7,688	-	7,688
Net assets released from restrictions	11,087	(11,087)	-
Total Support	<u>1,877,300</u>	<u>(11,087)</u>	<u>1,866,213</u>
Revenues:			
Aviation program revenues	<u>43,173</u>	<u>-</u>	<u>43,173</u>
Total Support and Revenues	<u>1,920,473</u>	<u>(11,087)</u>	<u>1,909,386</u>
Expenses:			
Program services	1,324,312	-	1,324,312
General and administrative	207,887	-	207,887
Fundraising	<u>154,896</u>	<u>-</u>	<u>154,896</u>
Total Expenses	<u>1,687,095</u>	<u>-</u>	<u>1,687,095</u>
Change in Net Assets from Operating Activities	<u>233,378</u>	<u>(11,087)</u>	<u>222,291</u>
Non-Operating Activities:			
Interest income	818	-	818
Gain on sale of equipment	116	-	116
Investment income, net	<u>3,115</u>	<u>-</u>	<u>3,115</u>
Change in Net Assets from Non-Operating Activities	<u>4,049</u>	<u>-</u>	<u>4,049</u>
Change in Net Assets	237,427	(11,087)	226,340
Net Assets, beginning of period (restated)	<u>1,529,778</u>	<u>11,087</u>	<u>1,540,865</u>
Net Assets, end of period	<u>\$ 1,767,205</u>	<u>-</u>	<u>1,767,205</u>

See accompanying notes to financial statements.

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Functional Expenses Eighteen Months Ended December 31, 2024

	Program Services			Support Services		
	Ministry Program	Aviation Program	Total	General and Administrative	Fundraising	Total
Expenses:						
Salaries and related cost and benefits	\$ 512,745	140,431	653,176	117,356	115,816	886,348
Staff ministry expenses	202,821	1,636	204,457	1,883	9	206,349
Depreciation	-	72,296	72,296	3,901	-	76,197
Repairs and Maintenance	2,341	62,914	65,255	1,755	-	67,010
Insurance	-	32,168	32,168	6,295	-	38,463
Travel	63,260	2,163	65,423	2,184	6,465	74,072
Supplies	24,786	4,243	29,029	5,379	9,780	44,188
Conferences and meetings	5,963	1,473	7,436	281	640	8,357
Professional fees	2,131	124	2,255	23,063	635	25,953
Rent and utilities	4,123	34,057	38,180	1,458	8	39,646
Fuel and oil	61	17,556	17,617	498	-	18,115
Lodging	23,344	2,307	25,651	1,161	553	27,365
Food	47,565	1,798	49,363	1,698	827	51,888
Bank fees	2,107	620	2,727	6,553	7,427	16,707
Information technology	7,041	4,606	11,647	9,669	2,944	24,260
Printing and publications	13,011	638	13,649	11,590	7,894	33,133
Donations	5,250	-	5,250	-	-	5,250
Bad debt	-	-	-	3,034	-	3,034
Miscellaneous	28,542	191	28,733	10,129	1,898	40,760
Total Expenses	\$ 945,091	379,221	1,324,312	207,887	154,896	1,687,095

See accompanying notes to financial statements.

ARCTIC BARNABAS MINISTRIES, INC.

Statement of Cash Flows

Eighteen Months Ended December 31, 2024

Cash Flows from Operating Activities:

Cash received from donors, rental activity and government assistance	\$ 1,956,320
Cash paid to employees and suppliers	(1,601,642)
Interest received	818
Net cash from operating activities	<u>355,496</u>

Cash Flows from Investing Activities:

Proceeds from the sale of assets	22,543
Purchase of property and equipment	(29,859)
Net cash from investing activities	<u>(7,316)</u>

Net increase in Cash and Cash Equivalents 348,180

Cash and cash equivalents, beginning of year 589,428

Cash and cash equivalents, end of year \$ 937,608

Cash Flows from Operating Activities:

Change in net assets	\$ 226,340
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation	76,197
Gain on sale of equipment	(116)
Amortization of operating right of use asset	-
Bad Debt Expense	3,034
Investment income reinvested	(3,115)
(Increase) decrease in assets:	
Accounts receivable	24,174
Other assets	22,760
Increase (decrease) in liabilities:	
Accounts payable	(9,499)
Accrued expenses	<u>15,721</u>
Net Cash Flows from Operating Activities	<u><u>\$ 355,496</u></u>

See accompanying notes to financial statements.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Eighteen Months Ended December 31, 2024

Note 1 – Nature of Operations

Arctic Barnabas Ministries, Inc. (the Organization) was formed as a nonprofit corporation in the State of Alaska to personally strengthen and encourage pastors, missionaries and their families to effectively advance the Gospel of Jesus Christ throughout remote Alaska. The Organization is funded through public support and facility rentals.

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

Eighteen Months Ended December 31, 2024

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

The Organization records a provision for uncollectible accounts through specific identification using the direct write-off method. Management believes all balances of receivables will be collectible and therefore has not recorded any provision for credit losses. The Organization has not experienced any significant historical losses in its collection of receivables.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

The Organization's financial assets and liabilities carried at fair value have been classified based on a hierarchy defined by ASC 820. The hierarchy gives the highest-ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An assets or a liability's classification is based on the lowest level of input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities in active markets, quoted prices.

Level 3 – Inputs are unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

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

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Eighteen Months Ended December 31, 2024

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 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 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.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Eighteen Months Ended December 31, 2024

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.

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 November 24, 2025, 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 \$649,749 were held in excess of the insured NCUA limit.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements Eighteen Months Ended December 31, 2024

Note 4 – Property and Equipment

Property and equipment, net consisted of the following at December 31, 2024:

Office building and hangar	\$ 849,726
Equipment and vehicles	143,505
Aircraft	486,087
Less accumulated depreciation	<u>(636,401)</u>
Property and Equipment, Net	\$ <u>842,917</u>

Depreciation expense is \$76,197 for the eighteen months ended December 31, 2024 and is allocated to aviation program and general and administrative expenses on the statement of functional expense.

Note 5 – Investments

The Organization owns units/shares of pooled investments owned by the National Christian Foundation (the Foundation). The Organization considers the measurement of its investment held at the Foundation to be a Level 3 measurement within the fair value measurement hierarchy because, certain investments of the Foundation, which include private placements and other securities for which prices are not readily available, are determined by the management of the Foundation. As such, the Funds are classified at Level 3, having elements of unobservable inputs. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The investment is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

A summary of the investments activity the eighteen months ended December 31, 2024 is as follows:

Beginning balance, July 1, 2023	\$ <u>25,000</u>
Earnings	3,760
Management fees	<u>(645)</u>
Net Earnings	<u>3,115</u>
Ending balance, December 31, 2024	\$ <u>28,115</u>

As of December 31, 2024, the Organization held 16,169.94 units of the investment.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements Eighteen Months Ended December 31, 2024

Note 6 – 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 \$11,532 for the eighteen months ended December 31, 2024.

The expected future minimum lease payments related to the lease for the year ended December 31, 2024, are as follows:

2025	\$ 7,688
2026	7,688
2027	7,688
2028	7,688
2029	7,688
Thereafter	180,659
	<u>219,099</u>
Imputed interest	<u>(76,623)</u>
Operating lease liability	<u>\$ 142,476</u>

Note 7 – Net Assets With Donor Restrictions

Net assets released from donor restrictions for the eighteen months ended December 31, 2024 are as follows:

Subject to restrictions for specific purpose:	
Regional Fund – Bristol Bay	\$ 7,100
LOTH Kenai	<u>3,987</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 11,087</u>

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	\$ 937,608
Investment in National Christian Foundation	28,115
Accounts receivable	<u>10,750</u>
Financial assets available for general expenditure within one year	<u>\$ 976,473</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.

ARCTIC BARNABAS MINISTRIES, INC.

Notes to Financial Statements

Eighteen Months Ended December 31, 2024

Note 9 – Prior Period Adjustment

The Organization recorded a prior period adjustment to the July 1, 2023 balance of net assets without donor restrictions for \$50,000 to correct the accounting treatment for assets that were expensed in prior periods. The restatement of net assets without donor restriction increased from \$1,479,778 as previously reported to \$1,529,778.