

Barnabas Foundation, Inc.

Independent Auditors' Report and
Financial Statements
Year Ended September 30, 2019

KPM
CPAS & ADVISORS



Independent Auditors' Report

To the Board of Directors
Barnabas Foundation, Inc.
Springfield, Missouri

We have audited the accompanying financial statements of Barnabas Foundation, Inc., (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2019, and the related statement of activities and net assets, cash flows and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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.

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Member of The Leading Edge Alliance

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barnabas Foundation, Inc., as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 16, 2020

Barnabas Foundation, Inc.

Statement of Financial Position

September 30, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 1,225,040
Accounts receivable	30,623
Inventories	19,517
Prepaid expenses	6,932
Assets available for sale	1,296,000
Total current assets	<u>2,578,112</u>

Property and Equipment

Cost	10,373,956
Less accumulated depreciation	3,858,836
Net property and equipment	<u>6,515,120</u>

Other Assets

Property held for investment	<u>5,479,751</u>
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Total assets \$ 14,572,983

Liabilities and Net Assets

Current Liabilities

Debt maturing within one year	\$ 65,800
Obligation under capital lease	22,869
Accounts payable	94,663
Accrued expenses	23,238
Deferred revenue	362,462
Total current liabilities	<u>569,032</u>

Other Liabilities

Long-term debt	3,245,166
Obligation under capital lease	47,633
Total other liabilities	<u>3,292,799</u>

Net Assets

Net assets without donor restrictions	10,645,801
Net assets with donor restrictions	65,351
Total net assets	<u>10,711,152</u>

Total liabilities and net assets \$ 14,572,983

The accompanying notes are an integral part of these financial statements

Barnabas Foundation, Inc.

Statement of Activities and Net Assets

Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Revenues and public support			
Donations	\$ 1,627,568	\$ 680,640	\$ 2,308,208
Program revenue	2,561,918	-	2,561,918
Merchandise sales	171,958	-	171,958
Interest income	8,070	-	8,070
Miscellaneous	13,112	-	13,112
Total revenues and public support	<u>4,382,626</u>	<u>680,640</u>	<u>5,063,266</u>
Net assets released from restrictions	<u>792,337</u>	<u>(792,337)</u>	<u>-</u>
Total revenues, public support and reclassifications	<u>5,174,963</u>	<u>(111,697)</u>	<u>5,063,266</u>
Expenses			
Program services	3,274,438	-	3,274,438
Management and general	508,620	-	508,620
Fundraising	358,502	-	358,502
Total expenses	<u>4,141,560</u>	<u>-</u>	<u>4,141,560</u>
Discontinued operations			
Loss on reclassification of assets to available for sale	<u>(929,129)</u>	<u>-</u>	<u>(929,129)</u>
Increases in net assets	104,274	(111,697)	(7,423)
Net assets - beginning of year	<u>10,541,527</u>	<u>177,048</u>	<u>10,718,575</u>
Net assets - end of year	<u>\$ 10,645,801</u>	<u>\$ 65,351</u>	<u>\$ 10,711,152</u>

The accompanying notes are an integral part of these financial statements

Barnabas Foundation, Inc.

Statement of Cash Flows

Year Ended September 30, 2019

Cash flows from (used in) operating activities	
Decrease in net assets	\$ (7,423)
Adjustments	
Depreciation	393,333
Loss on reclassifications of assets to available for sale	929,129
Net change in operating accounts	
Accounts receivable	97,174
Inventories	57,285
Prepaid expenses	(615)
Accounts payable	(131,676)
Accrued expenses	1,080
Deferred revenue	(16,869)
Net cash from operating activities	<u>1,321,418</u>
Cash flows used in investing activities	
Acquisition of property and equipment	<u>(470,056)</u>
Cash flows used in financing activities	
Net repayments on line of credit	(277,042)
Repayment of long-term debt	(149,165)
Principal payments under capital lease obligation	(20,587)
Net cash used in financing activities	<u>(446,794)</u>
Net increase in cash and cash equivalents	404,568
Cash and cash equivalents - beginning of year	<u>820,472</u>
Cash and cash equivalents - end of year	<u>\$ 1,225,040</u>
Supplemental disclosures for cash flow information	
Cash paid during the year for interest	<u>\$ 165,589</u>
Schedule of non-cash financing activity	
Equipment acquired under capital lease	<u>\$ 29,515</u>

The accompanying notes are an integral part of these financial statements

Barnabas Foundation, Inc.

Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Wages and benefits	\$1,296,364	\$ 189,943	\$ 164,582	\$1,650,889
Payroll taxes	93,297	13,670	11,845	118,812
Rent	7,645	42,069	-	49,714
Food and kitchen supplies	286,545	3,543	18,405	308,493
Merchandise	105,249	-	-	105,249
Repairs and maintenance	202,558	21,626	-	224,184
Advertising and promotion	52,832	7,381	10,587	70,800
Postage	5,830	5,303	19,382	30,515
Supplies	164,314	10,339	25,136	199,789
Insurance	160,242	17,805	-	178,047
Utilities	162,697	19,437	-	182,134
Computer and phone expense	61,569	42,954	6,792	111,315
Travel	75,380	18,162	7,189	100,731
Depreciation and amortization	354,000	39,333	-	393,333
Bank and credit card fees	36,259	3,244	10,234	49,737
Professional fees	34,644	51,442	16,221	102,307
Charitable contribution	500	-	-	500
Printing and copying	15,695	7,872	14,721	38,288
Interest	156,210	8,613	-	164,823
Dues and subscriptions	148	1,029	3,862	5,039
Miscellaneous	2,460	4,855	49,546	56,861
Total expenses	\$3,274,438	\$ 508,620	\$ 358,502	\$4,141,560

The accompanying notes are an integral part of these financial statements

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

1. Summary of Significant Accounting Policies

Nature of business: Barnabas Foundation, Inc. (the Foundation) operates Camp Barnabas, a non-denominational Christian summer camp for children with chronic or terminal illnesses and their siblings. The camp is located in Purdy, Missouri. In addition, the Foundation operates Barnabas Prep, located in Branson, Missouri, an academic-year program that allows older students to grow in community living, independent living skills and to choose a vocational training track. The Foundation is primarily supported with donations and camp fees.

Accounting pronouncement adopted: During the year ended September 30, 2019, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities (Topic 985) Presentation of Financial Statements of Not-For-Profit Entities*. The ASU amended the current reporting model for nonprofit organizations and enhances required disclosures including net asset classification, the functional allocation of expenses, and information about liquidity, financial performance, and cash flows.

Basis of presentation: The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

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 Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

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 Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation does not have any net assets with donor restrictions held in perpetuity.

All donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and net assets as net assets released from donor restrictions.

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, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

Receivables and credit policies: Accounts receivable are uncollateralized obligations for camp tuition and Barnabas Prep program fees. Unpaid balances at the end of the camp session and Barnabas Prep academic-year are considered delinquent. It is the Foundation's policy not to charge interest on past due accounts.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that remain after the camp season is closed and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

Inventories: Inventories consist of food, clothing and various resale items and have been valued at the lower of cost or market as determined by the first-in first-out method.

Property and equipment and related depreciation: Property and equipment has been stated at cost. Depreciation has been computed using the straight-line method over the following useful lives:

<u>Category</u>	<u>Estimated Life</u>
Transportation equipment	5 years
Equipment	5–15 years
Building and improvements	5–40 years

Acquisitions of property and equipment or repairs, maintenance or betterments that materially prolong the useful lives of assets in excess of \$5,000 are capitalized.

Deferred Revenue: Deferred revenue in the accompanying statements of financial position consists of income from Prep tuition and camper and missionary registration prepayments. The income is deferred and recognized over the period to which the income relates.

Advertising costs: The Foundation expenses non-direct response advertising costs as they are incurred.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. All other costs have been directly applied.

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

The allocated costs include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, benefits, and payroll taxes	Time and effort
Travel	Full time equivalent
Depreciation and amortization	Square footage
Supplies	Full time equivalent
Insurance	Full time equivalent
Computer and phone expense	Full time equivalent
Utilities	Square footage

Statements of cash flows: Cash equivalents include time deposits, certificates of deposit, money market funds, and all highly liquid debt instruments with maturities of six months or less at the date of their acquisition.

Fair value measurement: The definition of fair value focuses on the exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) not the entry price (i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date). Fair value is a market-based measurement; not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Tax exempt status: The Foundation has been classified as an exempt organization under Internal Revenue Code Section 501(c)(3) and as a public charity qualified for charitable contributions under Internal Revenue Code Section 170.

The Foundation has analyzed the tax positions taken and has concluded that as of September 30, 2019, there are no uncertain positions taken, or expected to be taken, that would require recognition of an asset or liability or disclosure in the financial statements. A tax asset or liability would be recognized if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation does not believe it likely that changes will occur within the next fiscal year that will have a material impact on the financial statements.

Subsequent events: Management has evaluated subsequent events between the end of the most recent fiscal year end and November 16, 2020, the date the financial statements were available to be issued. See Note 2 for further discussion of risks related to the coronavirus pandemic occurring subsequent to year end.

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

2. Risks and Uncertainties

Subsequent to year end, a strain of coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet determinable, but will likely be significant for both the local and global economy. The Foundation chose to cancel in-person camp for summer 2020 and transitioned to an online camper experience. The overall effects of COVID-19 on the Foundation are also not yet determinable, however COVID-19 has been identified as a significant risk and uncertainty that could impact future operations and result in changes in estimates and assumptions made in the financial statements.

During April 2020, the Foundation obtained \$357,100 in additional financing under The Paycheck Protection Program provided by the Small Business Administration to businesses affected by COVID-19. The loan amount will be forgiven as long as (1) the loan proceeds are used to cover payroll costs and certain other eligible costs over the 24-week period after the loan is made; and (2) employees and compensation levels are maintained. The Foundation estimates the majority of the funds will be forgiven under the program. However, if any funds are not forgiven, the Foundation has two years to repay the remaining amount at a fixed rate of 1%.

3. Assets Held for Sale

During the year ended September 30, 2019, the board and management made the decision to not host camp at its Shell Knob, Missouri location and listed the camp real estate and equipment for sale. At September 30, 2019, assets available for sale presented in the accompanying statement of financial position consists primarily of land, buildings, equipment, and furniture. During the year ended September 30, 2019, the Foundation recorded a total impairment of \$929,129, due to the write down of the long-lived assets to fair market value.

4. Availability & Liquidity

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, excess cash may be invested in short-term investments, including money market accounts.

The following represents the Foundation's financial assets at September 30, 2019:

Financial assets at year end	
Cash and cash equivalents	\$1,225,040
Accounts receivable	30,623
Total financial assets	<u>1,255,663</u>
Less amounts not available to be used within one year	
Assets held for capital projects	<u>(14,449)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$1,241,214</u></u>

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

5. Property & Equipment

Transportation equipment	\$	235,900
Equipment		574,762
Building and improvements		9,039,556
Land		523,738
		<u>10,373,956</u>
Less accumulated depreciation		3,858,836
Total	\$	<u><u>6,515,120</u></u>

At September 30, 2019, Included above is equipment under capital leases in the amount of \$93,858. Accumulated amortization on these capital leases amounted to \$28,212 as of September 30, 2019. Depreciation and amortization charged to expense for the year ended September 30, 2019 amounted to \$393,333.

6. Property Held for Investment

During December 2017, the Foundation received a property donation located in Stone County, Missouri with a fair market value of \$5,470,000. The property is to be used by the Foundation as part of its programs. However, at September 30, 2019, management had not placed it in service. The property includes multiple structures, a children's playground, and a private boat dock on 106 acres of land.

7. Debt

Long-term debt consists of the following:

5.250%; OakStar Bank; secured by real estate at Shell Knob, Missouri; payable \$16,283 per month including interest; refinanced January 2020	\$	1,642,342
5.50%; OakStar Bank; secured by real estate at Branson, Missouri; interest payable monthly until January 2019 then payable \$9,596 per month including interest thereafter; refinanced January 2020		1,353,994
3.950%; OakStar Bank; secured by real estate at Branson, Missouri; payable \$2,122 per month including interest; matures October 2021		314,630
		<u>3,310,966</u>
Less debt maturing within one year		65,800
Long-term debt	\$	<u><u>3,245,166</u></u>

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

Principal payments due on long-term debt outstanding at September 30, 2019 are as follows:

Year Ended	
<u>September 30</u>	
2021	\$ 111,400
2022	403,000
2023	107,000
2024	112,100
2025	2,511,667
	<u>\$ 3,245,166</u>

During January 2020, the Organization refinanced two loan agreements financed through OakStar Bank with Arvest Bank. Both loans carry a 4.63% interest rate and mature January 2025.

8. Deferred Revenue

Deferred revenue consists of the following:

Barnabas Prep tuition	\$ 185,484
Camper/Missionary registration payments	176,978
Total deferred revenue	<u>\$ 362,462</u>

9. Net Assets

Net assets with donor restrictions were as follows for the year ended September 30, 2019, and are available for the following purposes or periods:

Specific Purpose

Teas Trail maintenance/capital projects	\$ 50,902
Barnabas Prep capital projects	14,449
Total net assets with donor restrictions	<u>\$ 65,351</u>

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions

Program activities and registration scholarships	\$ 758,310
Capital projects and maintenance	34,027
Total net assets released from donor restrictions	<u>\$ 792,337</u>

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

10. Retirement Plan

The Foundation has adopted a SIMPLE IRA plan matching participant deferrals up to 3% of participant annual compensation. Contributions to the plan for the year ended September 30, 2019 amounted to \$15,071.

11. Leases

The Foundation leases its current office space from an unrelated party under a three-year operating lease that will expire in June 2021. The monthly rental fee is \$3,500 and can be renewed for an additional three-year period at \$3,700 per month.

Rent expense for the year ended September 30, 2019 totaled \$49,714.

The Foundation leases equipment that meets the criteria of a capital lease. Accordingly, minimum rentals have been capitalized, and the related assets and obligation recorded at fair market value at the inception of the lease. The assets are amortized on a straight-line basis over the asset's useful life, and interest is accrued on the basis of the outstanding lease obligation.

The future minimum lease payments for capital leases at September 30, 2019, are as follows:

Year Ended September 30	Capital Leases	Operating Leases
2020	\$ 26,200	\$ 42,000
2021	26,200	21,000
2022	22,800	-
2023	1,400	-
Total minimum lease payments	<u>76,600</u>	<u>\$ 63,000</u>
Less amount representing interest	<u>6,098</u>	
Present value of net obligations	70,502	
Less current maturities	<u>22,869</u>	
Non-current obligations under capital leases	<u><u>\$ 47,633</u></u>	

12. Contributed Services

Unpaid volunteers have made contributions of their time to assist with the Foundation's programs and fund-raising campaigns. The value of this contributed time is not reflected in these statements since it does not meet the requirements of the accounting standards.

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

13. Compensated Absences

A portion of the Foundation's employees are entitled to paid time off depending on job classification, length of service, and other factors. In addition, any earned paid time off not used by the end of the fiscal year is transferred to a pool which may be used by employees in need at a later time. The pool consists of the unused days from the prior fiscal year and half of the time in the pool at the end of the fiscal year end from prior pool totals. Therefore, it is impractical to estimate the amount of compensation for future paid time off, and, accordingly, no liability has been recorded in the accompanying financial statements. The Foundation's policy is to recognize the cost of paid time off when paid to employees.

14. Fair Value Measurement

The Foundation has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently sourced market data, including interest rate yield curves, option volatilities and third-party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Valuation Hierarchy

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Assets available for sale – Real estate owned by the Foundation that was not currently used in operations is measured based upon the estimated realizable value at the date the assets were listed for

Barnabas Foundation, Inc.

Notes to Financial Statements

Year Ended September 30, 2019

sale using customized discounting criteria. Assets available for sale are classified within level 2 of the valuation hierarchy.

Property held for investment – Real estate owned by the Foundation that was not currently used in operations is measured based upon the fair value at the date the assets were donated to the Foundation using customized discounting criteria. Property held for investment is classified within level 3 of the valuation hierarchy.

The following table presents the financial instruments carried at fair value on a non-recurring basis as of September 30, 2019 by caption on the statement of financial position and by ASC 820 valuation hierarchy:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
September 30, 2019				
Assets available for sale	\$ 1,296,000	\$ -	\$ 1,296,000	\$ -
Property held for investment	5,479,751	-	-	5,479,751
	<u>\$ 6,775,751</u>	<u>\$ -</u>	<u>\$ 1,296,000</u>	<u>\$ 5,479,751</u>

15. Concentration of Credit Risk

The Foundation maintains bank accounts with various financial institutions. On September 30, 2019, the balance with Arvest Bank exceeded standard FDIC insurance limits.