

FAIRBANKS RESCUE MISSION, INC.

FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2005

and

ACCOUNTANTS' REVIEW REPORT

FAIRBANKS RESCUE MISSION, INC.
FINANCIAL STATEMENTS
Fifteen Months Ended March 31, 2005

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Cook & Haugeberg LLC

CERTIFIED PUBLIC ACCOUNTANTS

Accountants' Review Report

The Board of Directors
Fairbanks Rescue Mission, Inc.

We have reviewed the accompanying statement of financial position of Fairbanks Rescue Mission, Inc. (a nonprofit organization) as of March 31, 2005, and the related statements of activities, functional expenses, and cash flows for the fifteen months then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Fairbanks Rescue Mission, Inc. The prior year summarized comparative information has been derived from Fairbanks Rescue Mission, Inc.'s 2003 financial statements and, in our review report dated November 17, 2004, we stated that we are not aware of any material modifications that should be made to them.

A review consists principally of inquiries of Mission personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with generally accepted accounting principles.

Cook & Haugeberg LLC

January 20, 2006

FINANCIAL STATEMENTS

FAIRBANKS RESCUE MISSION, INC.

STATEMENT OF FINANCIAL POSITION

March 31, 2005 and December 31, 2003

<u>ASSETS</u>	<u>2005</u>	<u>2003</u>
Current assets		
Cash	\$ 95,610	\$ 53,920
Contributions receivable	2,856	1,281
Investment securities	73,748	72,326
Prepaid expenses	<u>24,621</u>	<u>23,524</u>
Total current assets	<u>196,835</u>	<u>151,051</u>
Property and equipment	6,026,432	6,010,399
Less accumulated depreciation	<u>501,945</u>	<u>323,603</u>
	<u>5,524,487</u>	<u>5,686,796</u>
Investment in land	<u> </u>	<u>28,000</u>
Total assets	<u>\$ 5,721,322</u>	<u>\$ 5,865,847</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 56,966	\$ 6,623
Accrued payroll and payroll taxes	<u>8,975</u>	<u>245</u>
Total current liabilities	<u>65,941</u>	<u>6,868</u>
Net assets		
Unrestricted	220,099	273,898
Temporarily restricted	<u>5,435,282</u>	<u>5,585,081</u>
Total net assets	<u>5,655,381</u>	<u>5,858,979</u>
Total liabilities and net assets	<u>\$ 5,721,322</u>	<u>\$ 5,865,847</u>

See accompanying notes to the financial statements and accountants' review report.

FAIRBANKS RESCUE MISSION, INC.

STATEMENT OF ACTIVITIES

Fifteen Months Ended March 31, 2005
 With Summarized Financial Information for the Year Ended December 31, 2003

	Unrestricted	Temporarily Restricted	Totals	
			2005	2003
Support and Revenue				
Support				
Cash donations	\$ 411,246	\$ 748	\$ 411,994	\$ 363,341
United Way	3,503	2,109	5,612	8,247
In-kind donations	<u>375,458</u>	<u> </u>	<u>375,458</u>	<u>306,327</u>
Total support	<u>790,207</u>	<u>2,857</u>	<u>793,064</u>	<u>677,915</u>
Revenue				
Thrift shop revenue	64,419		64,419	72,633
Program service fees	45,339		45,339	22,321
Rental income	1,250		1,250	450
Investment income	1,470		1,470	2,710
Other revenue	10,870		10,870	9
Net assets released from restrictions	<u>152,656</u>	<u>(152,656)</u>	<u> </u>	<u> </u>
Total revenue	<u>276,004</u>	<u>(152,656)</u>	<u>123,348</u>	<u>98,123</u>
Total support and revenue	<u>1,066,211</u>	<u>(149,799)</u>	<u>916,412</u>	<u>776,038</u>
Expenses				
Organizational	1,103,285		1,103,285	970,324
Loss on sale of land	<u>16,725</u>	<u> </u>	<u>16,725</u>	<u> </u>
Total expenses and losses	<u>1,120,010</u>	<u> </u>	<u>1,120,010</u>	<u>970,324</u>
Changes in net assets	(53,799)	(149,799)	(203,598)	(194,286)
Net assets at beginning of year	<u>273,898</u>	<u>5,585,081</u>	<u>5,858,979</u>	<u>6,053,265</u>
Net assets at end of year	<u>\$ 220,099</u>	<u>\$ 5,435,282</u>	<u>\$ 5,655,381</u>	<u>\$ 5,858,979</u>

See accompanying notes to the financial statements and accountants' review report.

FAIRBANKS RESCUE MISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Fifteen Months Ended March 31, 2005

With Summarized Financial Information for the Year Ended December 31, 2003

	Program Services	Support Services		Total Support Services	Totals	
		Admini- strative	Fund Raising		March 31, 2005	December 31, 2003
Salaries	\$ 165,197	\$ 41,225	\$ 6,871	\$ 48,096	\$ 213,293	\$ 217,475
Employee benefits	1,438	359	60	419	1,857	12,191
Payroll taxes	8,952	2,234	372	2,606	11,558	16,637
Total salaries and related expenses	175,587	43,818	7,303	51,121	226,708	246,303
Repair and maintenance	11,956	919		919	12,875	8,888
Postage	19,686	13,124	32,810	45,934	65,620	36,548
Printing/publications	3,718	2,479	12,198	14,677	18,395	65,902
Promotional	2,731		2,731	2,731	5,462	1,468
Education and training	10,449				10,449	644
Food	8,074				8,074	5,418
Ministry program	2,209				2,209	1,183
Insurance	35,491	3,425		3,425	38,916	26,029
Office expenses	17,215	9,716	207	9,923	27,138	17,093
Telephone	3,978	407	135	542	4,520	3,966
Utilities	76,397	7,372		7,372	83,769	65,760
Gifts to others	8,568				8,568	7,980
Travel and conferences	1,721	738		738	2,459	3,253
Professional fees		16,652		16,652	16,652	3,243
Thrift shop rent	20,000				20,000	30,000
In-kind expenses	373,129				373,129	306,327
Total expenses before depreciation	770,909	98,650	55,384	154,034	924,943	830,005
Depreciation	162,648	15,694		15,694	178,342	140,319
Total expenses	\$ 933,557	\$ 114,344	\$ 55,384	\$ 169,728	\$ 1,103,285	\$ 970,324

See accompanying notes to the financial statements and accountants' review report.

FAIRBANKS RESCUE MISSION, INC.

STATEMENT OF CASH FLOWS

Fifteen Months Ended March 31, 2005

And Year Ended December 31, 2003

	<u>2005</u>	<u>2003</u>
Increase (Decrease) in Cash		
Cash flows from operating activities		
Cash received from contributors	\$ 414,750	\$ 370,307
Cash received from service recipients	45,339	22,321
Cash received from thrift shop sales	64,419	72,633
Cash collected on contributions receivable	1,281	239
Other receipts	12,120	459
Cash paid to employees and suppliers	(493,838)	(557,700)
Interest and dividends received	<u>2,771</u>	<u>4,070</u>
Net cash provided by (used in) operating activities	<u>46,842</u>	<u>(87,671)</u>
Cash flows from investing activities		
Purchases of property and equipment	(13,703)	(2,080)
Proceeds from sale of securities		30,000
Proceeds from sale of land	11,275	
Reinvestment of interest and dividends	<u>(2,724)</u>	<u>(3,937)</u>
Net cash provided by (used in) investing activities	<u>(5,152)</u>	<u>23,983</u>
Net increase (decrease) in cash	41,690	(63,688)
Cash at beginning of year	<u>53,920</u>	<u>117,608</u>
Cash at end of year	<u>\$ 95,610</u>	<u>\$ 53,920</u>
Reconciliation of Changes in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Changes in net assets	<u>\$ (203,598)</u>	<u>\$ (194,286)</u>
Adjustments to reconcile changes in net assets to net		
cash provided by (used in) operating activities		
Depreciation	178,342	140,319
Unrealized loss on securities	1,302	1,360
Loss on sale of land	16,725	
Donated vehicle included in in-kind donations	(2,330)	
(Increase) decrease in assets		
Contributions receivable	(1,575)	(1,042)
Prepaid expenses	(1,097)	2,014
Increase (decrease) in liabilities		
Accounts payable	50,343	(12,152)
Insurance note payable		(14,742)
Accrued payroll and payroll taxes	<u>8,730</u>	<u>(9,142)</u>
Total adjustments	<u>250,440</u>	<u>106,615</u>
Net cash provided by (used in) operating activities	<u>\$ 46,842</u>	<u>\$ (87,671)</u>

See accompanying notes to the financial statements and accountants' review report.

FAIRBANKS RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS

ORGANIZATION

Fairbanks Rescue Mission, Inc. (the Mission) was formed in 1973 as a nonprofit corporation to feed, clothe, house and meet the spiritual needs of the poor and needy in the Fairbanks, Alaska area.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - These financial statements have been prepared on the accrual basis of accounting. Under this method, expenses are recognized when incurred and revenue is recognized when earned.

Basis of Presentation - The Mission follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, issued by the Financial Accounting Standards Board (FASB). SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes in the categories of unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of the organization are classified and reported as follows:

- Unrestricted net assets consist of contributions that are not subject to donor-imposed restrictions, restricted assets whose restrictions are met in the same reporting period, and all other net assets of the organization that are not related to contributions.
- Temporarily restricted net assets consist of contributions subject to donor-imposed restrictions that will be met either by the actions of the Mission or the passage of time.
- At March 31, 2005 and December 31, 2003, the Mission did not have net assets that were permanently restricted by donors.

Revenue Recognition - The Mission has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, under which contributions are recognized as revenue when they are received or unconditionally pledged.

The Mission reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "Net assets released from restrictions."

Use of Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash - For purposes of the statement of cash flows, cash includes petty cash and amounts held in checking and savings accounts.

FAIRBANKS RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Contributions Receivable - Contributions receivable represent amounts committed by donors that have not been received by the Mission.

Investments - Investment securities are carried at fair value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. If donated, investments are recorded at fair value at the time of receipt. Investment income includes interest and dividend income and net unrealized gains or losses on securities.

Property and Equipment - Property and equipment are recorded at cost. It is the Mission's policy to capitalize expenditures for these items in excess of \$500. Donated property and equipment are carried at fair value at the time of receipt when there is a clearly measurable and objective basis for determining the fair value. The Mission has received miscellaneous property and equipment from donors for which a clearly measurable and objective basis for valuation was not determinable. Although these items are not recorded in the financial statements, such donations have a significant, beneficial impact on the Mission's ability to provide services.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and improvements are capitalized. Deduction is made for retirements resulting from renewals or improvements.

In-kind Donations - Unpaid volunteers have made significant contributions of their time to the Mission. The value of this contributed time is reflected in the financial statements as support and expense only when it is susceptible to objective measurement or valuation. Although contributed services have not been reflected in the financial statements, volunteers have provided significant benefits to the organization.

Donated food, clothing, and other items also represent a significant portion of contributions to the organization. The Mission has established a system of valuing donations at their estimated wholesale value by weighing them and recording the value in the financial statements at \$1 per pound.

Income Taxes - The Mission is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision for income taxes is included in the financial statements.

Comparative Information - The financial statements include certain prior-year summarized comparative information in total, but not by net asset or functional expense classifications. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Mission's financial statements for the year ended December 31, 2003, from which the summarized information was derived.

In 2005, the Mission's board decided to change the Mission from a calendar year to a fiscal year from April 1 to March 31. To accommodate this change, the financial statements present the Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows covering the 15-month period

FAIRBANKS RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

commencing January 1, 2004 and ending March 31, 2005 whereas the prior year summarized comparative statements cover the 12-month period commencing January 1, 2003 and ending December 31, 2003. The Statement of Financial Position is presented as of March 31, 2005 whereas the prior year summarized comparative statement is presented as of December 31, 2003.

CONCENTRATION OF CREDIT RISK

The Mission maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The organization believes it is not exposed to any significant credit risk on cash.

INVESTMENT SECURITIES

At March 31, 2005 and December 31, 2003, the market value of securities held by the Mission was \$73,748 and \$72,326, respectively. For the fifteen months ended March 31, 2005, the net unrealized loss, which is included in investment income, was \$1,301. For the year ended December 31, 2003, there was a net unrealized loss of \$1,360.

INVESTMENT IN LAND

In 1986, the Mission was given title to 40 acres of unimproved land located about 150 miles northwest of Fairbanks near the Yukon River. It was valued at its estimated market value of \$28,000 at the time of donation. In June 2004, this land was sold for \$11,275. The loss is reflected in the financial statements as a loss on sale of land.

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	March 31, <u>2005</u>	December 31, <u>2003</u>	Useful lives
Land	\$ 145,000	\$ 145,000	
Buildings	5,655,000	5,655,000	39 to 50 years
Equipment	<u>226,432</u>	<u>210,399</u>	3 to 15 years
	6,026,432	6,010,399	
Less: accumulated depreciation	<u>(501,945)</u>	<u>(323,603)</u>	
	<u>\$5,524,487</u>	<u>\$5,686,796</u>	

Depreciation expense was \$178,342 and \$140,319 in the fifteen months ended March 31, 2005 and the year ended December 31, 2003, respectively.

FAIRBANKS RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets and changes during the year include the following:

	March 31, <u>2005</u>	December 31, <u>2003</u>
Balance, beginning of period	\$5,585,081	\$5,687,139
Net assets released from restrictions		
United Way contribution received	(1,281)	(239)
Reduction in book value of building	(141,375)	(113,100)
Purchase of vehicle with donor restricted funds	(10,000)	
Assets restricted during the year		
United Way contribution receivable	2,109	1,281
Charitable Lead Trust contribution receivable	748	
Restricted by donor for vehicle purchase	<u> </u>	<u>10,000</u>
Balance, end of period	<u>\$5,435,282</u>	<u>\$5,585,081</u>

On December 28, 2001, the building and land at 723 27th Avenue in Fairbanks was gifted to the Mission. The grantor restricted use of the property to the primary purpose of operating a rescue mission and related incidental uses including religious instruction, health care, counseling, training and education. This restriction applies until January 1, 2052. The grantor retained the power to appoint an alternate grantee if the restriction is violated. The book value of the building and land are recorded as temporarily restricted net assets.

LEASE AS LESSOR

During 2001, the Mission began leasing 1,032 square feet of space in its 27th Avenue building to the Salvation Army to operate a dental clinic. No rent is charged for the Salvation Army's use of the space. The value of this rent is estimated to be \$19,665 for the fifteen months ended March 31, 2005 and \$15,720 for the year ended December 31, 2003 and is included in the financial statements under in-kind revenue and expense. The parties believe that the location of the clinic provides benefits to each other and to the people the organizations serve, and these benefits are consideration for the lease. The initial lease term was one year beginning October 1, 2001 and the agreement provides for automatic renewals from year to year unless either party elects not to renew.

LEASE AS LESSEE

The Mission had a rental agreement for the building where its thrift store was located. A one-year lease, which had been renewed annually through February 2003, required monthly payments of \$2,500. Beginning March 2003 the building was being leased on a month to month basis. Rental expense was \$20,000 for the period of January 2004 through August 2004 and \$30,000 for the year ended December 31, 2003. At the end of August 2004, the Mission ended the rental agreement and moved the thrift store to its own building.

FAIRBANKS RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

IN-KIND EXPENSES

In-kind expenses consisted of the following:

	<u>March 31,</u> <u>2005</u>	<u>December 31,</u> <u>2003</u>
Donated food	\$ 84,009	\$ 66,662
Donated clothing and other	269,455	223,945
Salvation Army dental office space	<u>19,665</u>	<u>15,720</u>
	<u>\$ 373,129</u>	<u>\$ 306,327</u>

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program services and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and support services benefited.

CONTINGENCIES

The Mission purchases professional and general liability insurance to cover insurable claims that may arise in the normal course of business. Additionally, in the normal course of business disputes may arise regarding the amounts of payables for goods and services. It is the opinion of management that any resulting claims will not have a material adverse effect on the financial position or results of operations of the Mission.

ECONOMIC DEPENDENCY

The Mission receives the majority of its operating revenue from donations given by residents of Interior Alaska.