

BARNABAS MOVEMENT, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Barnabas Movement, Inc.
Topeka, Kansas

Management is responsible for the accompanying financial statements of Barnabas Movement, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Summers, Spencer & Company, P.A.

Summers, Spencer & Company, P.A.
Topeka, Kansas
July 16, 2018

**BARNABAS MOVEMENT, INC.
STATEMENTS OF FINANCIAL POSITION**

December 31,	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 28,179	\$ 26,481
Inventory	12,046	9,127
Accounts receivable	473	300
<i>Total current assets</i>	<u>40,698</u>	<u>35,908</u>
Property and equipment, net	37,564	74,867
<i>Total assets</i>	<u><u>\$ 78,262</u></u>	<u><u>\$ 110,775</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 2,259	\$ 1,080
Sales tax payable	1,961	697
Payroll liabilities	<u>2,288</u>	<u>-</u>
<i>Total liabilities</i>	6,508	1,777
Unrestricted net assets	<u>71,754</u>	<u>108,998</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 78,262</u></u>	<u><u>\$ 110,775</u></u>

**BARNABAS MOVEMENT, INC.
STATEMENTS OF ACTIVITIES**

For the years ended December 31,	2017	2016
Unrestricted net assets		
Income		
Community grant	\$ 7,000	\$ -
Donations	31,476	75,887
Sales	143,414	127,684
Interest and other income	2,267	2,262
<i>Total income</i>	<u>184,157</u>	<u>205,833</u>
Expenses		
Program services	141,552	124,228
Management and general	32,456	31,854
<i>Total expenses</i>	<u>174,008</u>	<u>156,082</u>
Change in net assets before other expenses	10,149	49,751
Other expense		
Transfer of Ogden assets	47,393	-
Change in net assets	(37,244)	49,751
Net assets, beginning of period	108,998	59,247
Net assets, end of period	<u>\$ 71,754</u>	<u>\$ 108,998</u>

BARNABAS MOVEMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31,	2017			2016		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Advertising and marketing	\$ 943	\$ 2,434	\$ 3,377	\$ 2,125	\$ 1,053	\$ 3,178
Aquaponics	391	-	391	357	-	357
Bank service charges	-	1,385	1,385	-	771	771
Build out	-	1,135	1,135	-	-	-
Café supplies	363	2,636	2,999	2,352	839	3,191
Computer and internet expenses	927	2,446	3,373	1,835	2,127	3,962
Contract labor	-	-	-	15,585	5,195	20,780
Depreciation expense	1,539	4,616	6,155	3,751	1,250	5,001
Donations	3,257	-	3,257	-	-	-
Donor development	687	-	687	-	-	-
Fuel	41	714	755	1,363	384	1,747
Insurance expense	7,884	-	7,884	3,683	1,227	4,910
Lease	17,952	-	17,952	21,151	-	21,151
Maintenance	49	3,374	3,423	431	1,258	1,689
Miscellaneous expense	-	780	780	-	1,367	1,367
Newsletter	280	-	280	387	-	387
Office supplies	-	96	96	-	1,081	1,081
Payroll expenses	38,009	5,544	43,553	-	-	-
Postage and delivery	200	284	484	822	276	1,098
Product expense	64,126	-	64,126	54,328	-	54,328
Professional fees	750	1,010	1,760	1,281	2,207	3,488
Research and development	-	911	911	-	-	-
Sales tax paid	-	13	13	-	9,596	9,596
Small tools and kitchen items	-	142	142	110	2,728	2,838
Staff development	2,460	4,370	6,830	10,004	-	10,004
Telephone expense	1,694	566	2,260	1,488	495	1,983
Utilities	-	-	-	1,100	-	1,100
Volunteer expense	-	-	-	2,075	-	2,075
Total	\$ 141,552	\$ 32,456	\$ 174,008	\$ 124,228	\$ 31,854	\$ 156,082

**BARNABAS MOVEMENT, INC.
STATEMENTS OF CASH FLOWS**

For the years ended December 31,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (37,244)	\$ 49,751
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	6,155	5,001
Donated transfer of Ogden leasehold improvements	44,808	-
(Increase) decrease in assets		
Inventory	(2,919)	(2,670)
Accounts receivable	(173)	(300)
Increase (decrease) in liabilities		
Accounts payable	2,443	(567)
Payroll liabilities	2,288	-
Net cash provided by operating activities	<u>15,358</u>	<u>51,215</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(13,660)</u>	<u>(52,454)</u>
Net cash flows used in financing activities	<u>(13,660)</u>	<u>(52,454)</u>
Net increase (decrease) in cash and cash equivalents	1,698	(1,239)
Cash and cash equivalents, beginning of year	<u>26,481</u>	<u>27,720</u>
Cash and cash equivalents, end of year	<u>\$ 28,179</u>	<u>\$ 26,481</u>

BARNABAS MOVEMENT, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and nature of operations

The Barnabas Movement, Inc. (the “Organization”) is a café and concert venue for students to connect with adult mentors. These mentors will help develop a positive environment where students feel safe and can receive spiritual guidance, for which the goal is to change youth culture through relationships. The primary sources of revenue for the Organization are gross profit from café sales and donations. The Organization has locations in Topeka, Kansas and Oconomowoc, Wisconsin. In 2016, the Organization also had a location in Ogden, Kansas.

Note 2 – Summary of significant accounting policies

Method of accounting

The financial statements of the Organization were prepared in accordance with U.S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC Topic 958, Not-for-Profit Entities. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organization does not have any temporarily or permanently restricted activity for the years ended December 31, 2017 or 2016.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash is defined as demand deposits including checking and money market accounts and certificates of deposit.

Inventories

Inventories are stated at cost.

Property and equipment

Property and equipment are carried at cost. Expenditures for additions and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. The cost of maintenance and repairs is expensed as incurred. Upon disposal, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation of property and equipment is computed on the straight-line method over the estimated useful life of the asset:

Improvements	15 years
Furniture and Equipment	5 – 7 years
Vehicles	5 – 7 years

Compensated absences

During 2016, there was no provision for compensated absences for paid staff. In 2017, full time employees began receiving paid time for compensated absences. Vacation time is earned at 40 hours per year, and time earned up to one-week may be carried forward to the following year. Unused vacation time is not paid out upon termination. Sick time is accrued at 20 hours per year and is not paid upon termination. Therefore, compensated leave time has not been accrued.

Income taxes

Barnabas Movement, Inc. is a not-for-profit organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes have been included in the accompanying financial statements. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Management believes the café sales are not subject to unrelated business income tax because, as provided under IRC Sec. 513(a)(1), this is an activity in which substantially all of the work is performed by unpaid volunteers. The Organization's paid staff may also be directly involved provided that sufficient volunteer effort is also present. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the locations, but these services do not meet the criteria for recognition as contributed services.

Advertising

The Organization expenses advertising costs as incurred as management believes there is no future benefit to these costs beyond one year. Advertising expense was \$3,377 and \$3,178 for the years ended December 31, 2017 and 2016.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Pending accounting pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities for operating leases on the statement of financial position for lessees, and the disclosure of key information about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2019. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. Management is currently evaluating the effect that the standard will have in the financial statements.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity

and availability of resources. The standard is effective for fiscal years beginning after December 15, 2017. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. Management is currently evaluating the effect that the standard will have in the financial statements.

Note 3 - Property and equipment

Property and equipment at December 31 consists of:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 32,550	\$ 18,890
Vehicles	4,700	4,700
Buildings	<u>15,591</u>	<u>61,145</u>
Total property and equipment	52,841	84,735
Less accumulated depreciation	<u>(15,277)</u>	<u>(9,868)</u>
Net property and equipment	<u>\$ 37,564</u>	<u>\$ 74,867</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$6,155 and \$5,001, respectively.

Note 4 - Operating leases

Barnabas Movement, Inc. is on a revolving one year lease to rent retail and warehouse space in Topeka, Kansas. Lease expense totaled \$17,952 and \$21,151 in 2017 and 2016, respectively.

In 2016, the Organization was provided excess retail space in Ogden, Kansas at no cost. It is not reasonably possible to estimate the value of such space and, therefore, no value has been recorded on these financial statements.

Future minimum lease payments required under the operating lease agreements for 2018 are \$8,856.

Note 5 – Concentration of credit risk

The Organization places its temporary cash investments with high credit quality financial institutions located in Topeka, Kansas and also Oconomowoc, Wisconsin. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At December 31, 2017 and 2016, management was not aware of any uninsured balances.

Note 6 – Donated transfer of Ogden leasehold improvements

In 2017, the Organization closed its Ogden, Kansas location and donated the related assets and improvements. The House Café is an exciting community development organization utilizing a Coffee shop as their primary ministry tool. The House has a similar ministry vision as Barnabas Student Ministries, however, they differ in product offering, brand identity, geographical scope of vision, and some long term goals. Therefore, to allow them to flexibly, effectively serve the Odgen, Kansas community, Barnabas Student

Ministries in conjunction with the House's directors, the legal decision was made to release their ministry from Barnabas Movement, Inc. as of December 31, 2016. Barnabas Movement, Inc. is proud of the mentorship of this ministry and excited to have served as a launch pad for their current work.

Note 7 – Subsequent events

Management has evaluated subsequent events through July 16, 2018, the date which the financial statements were available to be issued.