

**FAIRBANKS RESOURCE AGENCY, INC.
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND
COMPLIANCE AUDIT REPORTS**

(With Independent Auditor's Report Thereon)

Years Ended June 30, 2022 and 2021



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PORTER & ALLISON

INC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fairbanks Resource Agency, Inc. and Affiliates
Fairbanks, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Fairbanks Resource Agency, Inc. (a nonprofit organization) and Affiliates, which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Fairbanks Resource Agency, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fairbanks Resource Agency, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairbanks Resource Agency, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fairbanks Resource Agency, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairbanks Resource Agency, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents, including the schedules of revenues and expenses – budget and actual, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of Fairbanks Resource Agency, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fairbanks Resource Agency, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fairbanks Resource Agency, Inc. and Affiliates' internal control over financial reporting and compliance.

Porter & Allison, Inc.

Anchorage, Alaska
March 30, 2023

COMBINED FINANCIAL STATEMENTS

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combined Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,439,455	\$ 1,908,733
Accounts receivable, net	1,097,297	1,085,218
Contributions receivables	44,515	36,080
Grants receivable	512,184	144,714
Prepaid expenses and deposits	<u>225,529</u>	<u>233,982</u>
Total Current Assets	<u>3,318,980</u>	<u>3,408,727</u>
Tenant deposits held in trust	<u>14,363</u>	<u>12,996</u>
Property and equipment	14,980,150	14,812,687
Less accumulated depreciation	<u>(11,762,137)</u>	<u>(11,357,068)</u>
Property and equipment, net	<u>3,218,013</u>	<u>3,455,619</u>
Total Assets	<u>\$ 6,551,356</u>	<u>\$ 6,877,342</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 176,501	\$ 379,571
Accrued payroll and taxes	193,942	193,628
Accrued annual leave and benefits payable	255,907	251,163
Provision for unemployment benefits	8,597	2,579
Deferred rent revenue	11,968	11,882
Refundable advance	6,788	7,909
Pension payable	50,000	-
Tenant deposit held in trust	15,713	14,346
Current maturities of long-term debt	<u>25,261</u>	<u>24,801</u>
Total Current Liabilities	744,677	885,879
Line of credit	149,890	220,000
Long-term debt, net of current maturities	<u>46,670</u>	<u>11,771</u>
Total Liabilities	<u>941,237</u>	<u>1,117,650</u>
Net Assets:		
Without Donor Restrictions:		
Designated - operating reserves	-	80,048
Operations	(3,828,504)	(4,012,597)
Investment in property and equipment, net of related debt	<u>3,146,082</u>	<u>3,419,047</u>
Total Without Donor Restrictions	<u>(682,422)</u>	<u>(513,502)</u>
With Donor Restrictions	<u>6,292,541</u>	<u>6,273,194</u>
Total Net Assets	<u>5,610,119</u>	<u>5,759,692</u>
Total Liabilities and Net Assets	<u>\$ 6,551,356</u>	<u>\$ 6,877,342</u>

See accompanying notes to combined financial statements.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combined Statements of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and Revenues:						
Support:						
Individuals	\$ 18,887	-	18,887	\$ 68,704	-	68,704
Government agencies	1,645,917	-	1,645,917	1,943,689	-	1,943,689
SBA PPP loan forgiveness	-	-	-	113,412	-	113,412
Corporations	4,571	-	4,571	14,281	-	14,281
United Way	46,363	-	46,363	32,190	-	32,190
Other	37,500	-	37,500	25,349	-	25,349
Net assets releases and reclassification from restrictions	(19,347)	19,347	-	28,636	(28,636)	-
Total Support	<u>1,733,891</u>	<u>19,347</u>	<u>1,753,238</u>	<u>2,226,261</u>	<u>(28,636)</u>	<u>2,197,625</u>
Revenues:						
Client fees	265,863	-	265,863	410,522	-	410,522
Medicaid	6,252,103	-	6,252,103	6,633,952	-	6,633,952
Contracts	2,901,898	-	2,901,898	2,692,797	-	2,692,797
Rent revenue	204,057	-	204,057	198,432	-	198,432
HUD tenant assistance	369,828	-	369,828	342,708	-	342,708
Entrepreneurial revenue	255,709	-	255,709	254,926	-	254,926
Other	31,040	-	31,040	127,334	-	127,334
Total Revenues	<u>10,280,498</u>	<u>-</u>	<u>10,280,498</u>	<u>10,660,671</u>	<u>-</u>	<u>10,660,671</u>
Total Support and Revenues	<u>12,014,389</u>	<u>19,347</u>	<u>12,033,736</u>	<u>12,886,932</u>	<u>(28,636)</u>	<u>12,858,296</u>
Expenses:						
Program services	9,137,354	-	9,137,354	9,795,063	-	9,795,063
Management and general	2,960,380	-	2,960,380	3,339,595	-	3,339,595
Fundraising	85,841	-	85,841	85,289	-	85,289
Total Expenses	<u>12,183,575</u>	<u>-</u>	<u>12,183,575</u>	<u>13,219,947</u>	<u>-</u>	<u>13,219,947</u>
Change in Net Assets Before Other Changes	<u>(169,186)</u>	<u>19,347</u>	<u>(149,839)</u>	<u>(333,015)</u>	<u>(28,636)</u>	<u>(361,651)</u>
Other Changes in Net Assets:						
Interest income	266	-	266	461	83	544
Gain (loss) on disposal of equipment	-	-	-	(403)	-	(403)
Total Other Changes in Net Assets	<u>266</u>	<u>-</u>	<u>266</u>	<u>58</u>	<u>83</u>	<u>141</u>
Change in Net Assets	<u>(168,920)</u>	<u>19,347</u>	<u>(149,573)</u>	<u>(332,957)</u>	<u>(28,553)</u>	<u>(361,510)</u>
Net Assets, beginning of year	<u>(513,502)</u>	<u>6,273,194</u>	<u>5,759,692</u>	<u>(180,545)</u>	<u>6,301,747</u>	<u>6,121,202</u>
Net Assets, end of year	<u>\$ (682,422)</u>	<u>6,292,541</u>	<u>5,610,119</u>	<u>\$ (513,502)</u>	<u>6,273,194</u>	<u>5,759,692</u>

See accompanying notes to combined financial statements.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services						Support Services				
	Residential Services	Employment Services	Care and Senior Services	Family Services	Property Management	Residential Housing	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Personnel	\$ 4,266,538	96,811	444,228	1,870,421	-	-	6,677,998	2,191,871	81,058	2,272,929	8,950,927
Facilities	26,770	299	9,481	18,895	520,925	200,684	777,054	49,707	153	49,860	826,914
Supplies	159,634	1,340	8,954	192,980	-	23,994	386,902	47,356	139	47,495	434,397
Equipment	65,048	1,773	6,951	145,174	3,352	-	222,298	115,247	253	115,500	337,798
Professional services	4,726	6,086	34,455	84,037	33,739	81,383	244,426	353,980	418	354,398	598,824
Travel and training	1,011	75	2,629	4,463	-	-	8,178	2,546	-	2,546	10,724
Insurance	25,398	8,105	7,625	62,098	59,877	60,387	223,490	55,480	127	55,607	279,097
Printing and advertising	410	60	6,327	461	-	-	7,258	6,814	294	7,108	14,366
Contract providers	-	-	-	72,000	-	-	72,000	-	-	-	72,000
Conventions and meetings	-	-	-	-	-	-	-	370	-	370	370
Dues and subscriptions	8,899	163	434	2,896	-	-	12,392	44,825	3,399	48,224	60,616
Other expenses	24,948	256	9,268	109,721	9,019	1,415	154,627	37,845	-	37,845	192,472
Total Expenses											
Before Depreciation	4,583,382	114,968	530,352	2,563,146	626,912	367,863	8,786,623	2,906,041	85,841	2,991,882	11,778,505
Depreciation	15,921	-	18,844	37,975	54,186	223,805	350,731	54,339	-	54,339	405,070
Total Expenses	\$ 4,599,303	114,968	549,196	2,601,121	681,098	591,668	9,137,354	2,960,380	85,841	3,046,221	12,183,575

See accompanying notes to combined financial statements.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services						Support Services				Total
	Residential Services	Employment Services	Care and Senior Services	Family Services	Property Management	Residential Housing	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel	\$ 4,707,119	70,764	499,490	2,088,905	-	-	7,366,278	1,916,648	75,841	1,992,489	9,358,767
Facilities	26,915	521	15,731	18,957	428,527	184,074	674,725	47,421	164	47,585	722,310
Supplies	218,763	534	57,223	151,139	-	25,797	453,456	279,111	644	279,755	733,211
Equipment	43,579	2,243	46,611	167,080	-	-	259,513	317,702	374	318,076	577,589
Professional services	18,232	6,763	31,982	48,738	340	66,186	172,241	616,424	602	617,026	789,267
Travel and training	5,482	-	4,311	6,310	-	-	16,103	7,100	-	7,100	23,203
Insurance	20,775	6,301	6,242	54,504	51,497	46,413	185,732	42,353	217	42,570	228,302
Printing and advertising	-	-	5,333	99	-	-	5,432	11,414	4,774	16,188	21,620
Contract providers	-	-	-	75,000	-	-	75,000	-	-	-	75,000
Conventions and meetings	-	-	-	-	-	-	-	250	-	250	250
Dues and subscriptions	52	-	-	3,365	-	-	3,417	38,404	2,673	41,077	44,494
Other expenses	29,469	477	7,648	103,026	1,453	1,864	143,937	24,140	-	24,140	168,077
Total Expenses											
Before Depreciation	5,070,386	87,603	674,571	2,717,123	481,817	324,334	9,355,834	3,300,967	85,289	3,386,256	12,742,090
Depreciation	23,866	-	22,648	50,475	70,865	271,375	439,229	38,628	-	38,628	477,857
Total Expenses	<u>\$ 5,094,252</u>	<u>87,603</u>	<u>697,219</u>	<u>2,767,598</u>	<u>552,682</u>	<u>595,709</u>	<u>9,795,063</u>	<u>3,339,595</u>	<u>85,289</u>	<u>3,424,884</u>	<u>13,219,947</u>

See accompanying notes to combined financial statements.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 1,277,326	\$ 1,820,648
Cash received from customers	9,694,534	9,799,209
Cash received from tenants	573,971	533,919
Cash received from contributors	98,886	147,356
Cash paid to employees, suppliers, and related organizations	(11,897,375)	(12,693,832)
Interest received	266	544
Interest paid	(14,671)	(3,040)
	(267,063)	(395,196)
Net Cash Flows from Operating Activities		
Cash Flows from Investing Activities:		
Purchases of property and equipment	(104,301)	(137,878)
Proceeds from matured certificate of deposit	-	9,092
	(104,301)	(128,786)
Net Cash Flows from Investing Activities		
Cash Flows from Financing Activities:		
Proceeds from line of credit	460,000	220,000
Principal payments on long-term debt	(557,914)	(32,590)
	(97,914)	187,410
Net Cash Flows from Financing Activities		
Net Change in Cash and Cash Equivalents	(469,278)	(336,572)
Cash and Cash Equivalents, beginning of year	1,908,733	2,245,305
Cash and Cash Equivalents, end of year	\$ 1,439,455	\$ 1,908,733

See accompanying notes to combined financial statements.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combined Statements of Cash Flows, continued

Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Change in Net Assets to		
Net Cash from Operating Activities:		
Change in net assets	\$ (149,573)	\$ (361,510)
Forgiveness of SBA PPP Loan	-	(113,412)
Depreciation	405,070	477,857
Loss on disposal of assets	-	403
(Increase) decrease in assets:		
Accounts receivable, net	(12,079)	(320,322)
Contributions receivable	(8,435)	6,832
Grants receivable	(367,470)	(116,403)
Prepaid expense and deposits	8,453	(30,305)
Tenant deposits held in trust	(1,367)	3,069
Increase (decrease) in liabilities:		
Accounts payable	(203,070)	193,285
Accrued payroll and taxes	314	9,007
Accrued annual leave and benefits payable	4,744	12,496
Provision for unemployment benefits	6,018	(39,265)
Deferred rent revenue	86	(7,221)
Refundable advance	(1,121)	(6,638)
Pension payable	50,000	(100,000)
Tenant deposits held in trust	1,367	(3,069)
	<u>\$ (267,063)</u>	<u>\$ (395,196)</u>
Net Cash from Operating Activities	<u>\$ (267,063)</u>	<u>\$ (395,196)</u>
Supplemental Cash Flow Information:		
Noncash transaction - financed purchase of property	<u>\$ 63,163</u>	<u>\$ -</u>

See accompanying notes to combined financial statements.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Note 1 – Nature of Operations

Fairbanks Resource Agency, Inc. (FRA) is a nonprofit organization which provides a variety of programs for people with substantial disabilities and for their families. FRA's goal is to help people who have disabilities become full participating members of the community.

The combining financial statements of FRA include Fairbanks Rehabilitation Foundation, Inc. (FRF) a nonprofit corporation organized for the purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to FRA, in the manner provided for in section 501(c)(2) of the Internal Revenue Code. FRA is the sole member of FRF, and a majority of the board of directors of FRF are also on the board of directors of FRA.

In addition, the following nonprofit organizations are combined and presented in the combining financial statements as HUD:

- John L. Noyes House Foundation (JLNHF)
- Ivan V. Fosheim House Foundation (IVFHF)
- Jack & Virginia Wright Apartments Foundation (JVWAF)
- John L. Turner House Foundation (JLTHF)
- Marybeth Hafele House Foundation (MBHHF)
- Mary A. Nordale House Foundation (MANHF)
- Andrew J. Flodin Apartments Foundation (AJFAF)

Each of these organizations owns an apartment project located in the interior-Alaska area. Each project was financed and constructed under the Section 811 Supportive Housing for Persons with Disabilities Program, which is administered by the U.S. Department of Housing and Urban Development (HUD). Under this program, housing is provided to both the physically disabled and developmentally disabled subject to regulation by HUD as to rental charges and operating methods. Lower rental charges to tenants are recovered through rent subsidies provided by HUD. Each organization is controlled by FRA. These organizations are referred to collectively as the HUD Foundations, unless otherwise specifically referred to.

The IRS Form 990, Return of Organization Exempt from Income Tax for each organization and the audited financial statements of JVWAF and AJFAF are available at the FRA office at 805 Airport Way, Fairbanks, Alaska 99701.

The combined organizations are referred to collectively as the Organization, unless otherwise specifically referred to. All significant accounts and transactions between the related organizations were eliminated in the combining financial statements.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The combined financial statements of the Organization have been prepared on the accrual basis of accounting. Under this method, expenses are recognized when incurred and revenue is recognized when earned.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

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.

Budgets

The budget as presented in the Schedules of Grant Revenue and Expenses - Budget and Actual in the supplementary information represents the budget that has been approved by the grantor agency. For financial statement purposes, funds committed under open purchase orders do not represent expenses of the Organization but do qualify as expenses under the grants for reimbursement purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and amounts held in unrestricted and temporarily restricted checking and savings accounts, except for tenant deposits held in trust. The carrying value of cash approximates the fair value because of the short-term maturity of those instruments.

Receivables

Receivables consists of the following: grant receivables, promises to give, and third-party reimbursement receivables. All balances related to grant receivables and promises to give are considered to be fully collectible at year end. Unconditional promises to give are expected to be collected within one year and are recognized as revenues and receivables at their net realizable value.

Receivables for third-party reimbursements are due under normal trade terms, typically 30 days or less. Third-party reimbursements receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. The Organization records a provision for bad debts at the end of each reporting period on the basis of its past experience and known payments. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts and bad debt expense is recognized.

Property and Equipment

Property and equipment with an acquisition cost or value of \$5,000 or more are recorded at cost when purchased, or at fair market value at the date of a gift. Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as restricted support. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Net Assets

Resources are classified for accounting and reporting purposes according to externally (donor) imposed restrictions into the following two classes: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions Net assets subject to stipulations imposed by donors, and granters. 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. The Organization does not have any net assets that are permanently restricted by donors.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Combined Statement of Activities and Changes in Net Assets.

Support and Revenue Recognition

Contributions, government grants, and other cost reimbursements

The Organization recognizes support contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, 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. Amounts received prior to meeting conditions are reported as refundable advances in the statement of financial position. When all conditions and restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

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

Client fees and Medicaid revenue

Medicaid and third-party revenue are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the services based on a set fee per unit of service. Medicaid revenues are billed and recorded based on a rate structure designated by the State of Alaska. The amounts are due from clients and third-party payors (including health insurers and government programs) and includes variable consideration for retroactive revenue adjustments due to settlement of

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

audits, reviews, and investigations. Generally, the Organization bills the clients and third-party payors several days after the services are performed.

The Organization recognizes revenue as its performance obligations are completed. Each visit or session is treated as a single performance obligation satisfied at a point in time when those services are rendered. The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: (1) Payors having different reimbursement and payment methodologies and (2) the Organization's line of services that provided to clients. All of the Organization's performance obligations relate to these contracts have a duration of less than one year and billed after the service is completed, therefore the Organization does not have any deferred revenues (contract liabilities) related to client fees and Medicaid revenues provided at the beginning or end of the year.

Contract revenues

Contract revenues are derived from janitorial service contracts with the federal government. Contract revenue is recognized as services are performed based over the period of time or based on contractual rates. All of the Organization's performance obligations relating to these contracts have a duration of less than one year and billed after the service is completed, therefore the Organization does not have any deferred revenues (contract liabilities) related to contract revenues provided at the beginning or end of the year.

Rent and HUD tenant assistance

Rent and HUD tenant assistance revenue is mainly derived from the HUD foundations. Rent is charged to tenants for residential units under leases with durations of less than one year. Subsidy revenue for low-income eligible tenants is provided under a Section 811 Project Rental Assistance Contract (PRAC). This contract requires tenants to contribute a portion of the contract rent based on formulas prescribed by HUD. The difference between the tenant portion and the contract rent is paid by HUD.

Entrepreneurial revenues

Entrepreneurial revenues are those from FRA's Closet Collections program. Revenue is recognized when Closet Collection goods are delivered to the contractor. Pricing for the contract is based on the pounds of goods delivered. The contractor makes semi-monthly payments to FRA with a report including the total weight of goods received during that reporting period. All of the Organization's performance obligations relating to these contracts have a duration of less than on year and payment is made after the goods are delivered, therefore the Organization does not have any deferred revenues (contract liabilities) related to entrepreneurial revenues provided at the beginning or end of the year.

Income Taxes

Fairbanks Resource Agency, Inc. and the HUD foundations are tax-exempt organizations under Section 501(c)(3) and Fairbanks Rehabilitation Foundation, Inc. under 501(c)(2) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. The organizations account for income taxes in accordance with the Income Taxes topic of the FASB Accounting Standards Codification which requires the recognition of a liability for uncertain tax positions when a liability would more likely than not be assessed by a taxing authority. Management evaluated the organizations' tax positions and determined there are no liabilities required to be recognized as a result of an uncertain tax position. Income tax returns are open for examination by the Internal Revenue Service for three years from the date they were filed.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Allocation of Functional Expense

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 programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The Combining Statement of Functional Expenses is presented with amounts after elimination. Allocation method is as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Facilities	Square footage
Equipment	Time and effort
Professional services	Time and effort
Travel and Training	Time and effort
Insurance	Time and effort
Printing and advertising	Time and effort
Contract providers	Time and effort
Dues and subscriptions	Time and effort
Other expenses	Time and effort
Depreciation	Time and effort

Subsequent Events

In preparing these financial statements, Fairbanks Resource Agency, Inc. and Affiliates have evaluated events and transactions for potential recognition or disclosure through March XX, 2023, the date on which the financial statements were available to be issued.

Note 3 – Cash and Cash Equivalents

Fairbanks Resource Agency, Inc. and affiliates maintains cash balances at financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. FRA has not experienced any loss in such accounts. The bank balances exceeded the FDIC limit by \$736,755 and \$1,224,277 at June 30, 2022 and 2021, respectively.

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FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Note 4 – Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the combined statement of financial position, comprise the following at June 30:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 1,439,455	\$ 1,908,733
Accounts Receivable, net	1,097,297	1,085,218
Contributions receivable	44,515	36,080
Grants receivable	512,184	144,714
Total financial assets	3,093,451	3,174,745
Less amounts not available to be used within one year		
Board designated cash	-	(80,048)
Residual receipts and replacement reserves	(348,687)	(297,642)
	(348,687)	(377,690)
Financial assets available to meet general expenditures over the next twelve months	\$ 2,744,764	\$ 2,797,055

Fairbanks Resource Agency, Inc.'s liquidity plan includes daily cash monitoring, monthly board of directors' monitoring of liquidity ratios, cash invested in interest bearing accounts, biweekly billing and monitoring of Medicaid accounts receivable and monthly billing and monitoring of Contracts accounts receivable. FRA also has a \$1 million line of credit available to meet cash flow needs.

Note 5 – Accounts Receivable

Accounts receivable consist of the following:

	June 30, 2022	June 30, 2021	July 1, 2020
Medicaid	\$ 467,658	\$ 378,808	\$ 507,497
Contracts receivable	608,249	600,581	213,907
Client fees and other	32,786	122,109	63,842
Gross receivables	1,108,693	1,101,498	785,246
Less allowance for doubtful accounts	(11,396)	(16,280)	(20,350)
Total Accounts Receivable, Net	\$ 1,097,297	\$ 1,085,218	\$ 764,896

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Note 6 – Property and Equipment

Property and equipment consist of the following as of June 30:

	Estimated Useful Lives	2022	2021
Land		\$ 907,548	\$ 872,182
Buildings and improvements	5-31.5 years	11,101,715	11,101,715
Furniture and fixtures	5-10 years	1,251,545	1,237,018
Workshop tools and equipment	3-10 years	131,549	131,547
Automotive	3-5 years	1,587,793	1,470,225
		14,980,150	14,812,687
Less accumulated depreciation		(11,762,137)	(11,357,068)
Property and Equipment, net		\$ 3,218,013	\$ 3,455,619
Depreciation expense		\$ 405,070	\$ 477,857

Note 7 – Line of Credit

Fairbanks Resource Agency, Inc. has one revolving line of credit totaling \$1,000,000 at Denali State Bank with a maturity date of November 1, 2023. The line of credit is secured by a deed of trust on property owned by FRF and all accounts receivable of Fairbanks Resource Agency, Inc. The line of credit bears interest at a Wall Street Journal prime rate index plus one-half percent. The line of credit is payable on demand or, if no demand is made, in one payment of all outstanding principal and accrued unpaid interest on the maturity date. There were no other changes in the terms or collateral. The balance outstanding on the line of credit was \$149,890 and \$220,000 as of June 30, 2022 and 2021, respectively.

Note 8 – Long Term Debt

The Organization's long-term debt consist of the following at June 30:

	2022	2021
Note payable to Denali State Bank is based on a fixed interest rate of 4.5%, payable in monthly installments of \$1,179 until maturity on January 15, 2027. The note is secured by a 2022 Ram 2500 Tradesman with a net book value of \$63,913 at June 30, 2022	\$ 58,394	\$ -
Note payable to Denali State Bank is based on a fixed interest rate of 5.5%, payable in monthly installments of \$1,731 until maturity on February 1, 2023. The note is secured by the two 2017 Ford transit vans with a net book value of \$9,920 at June 30, 2022	13,537	31,298

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Note payable to Mt. McKinley Bank is based on a fixed interest rate of 7.5%, payable in monthly installments of \$878 until maturity on March 1, 2022. The note is secured by the property located at 1616 Tamarack Street with a net book value of \$47,959 at June 30, 2022

	\$	-	\$	5,274
		71,931		36,572
Less: Current Maturities		(25,261)		(24,801)
	\$	46,670	\$	11,771

Future maturities of long-term debt are as follows:

2023		\$	25,261
2024			12,264
2025			12,840
2026			13,439
2027			8,127
		\$	71,931

Total interest was \$14,671 and \$3,040 for the years ended June 30, 2022 and 2021, respectively, all of which was expensed and reported in other expenses on the Statement of Functional Expenses. The carrying amount of long-term debt approximates fair value of those instruments.

Note 9 – Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2022		2021
Senior Center improvements	\$ 119,256	\$	133,021
Administrative office facility	79,563		91,133
Contributions	5,172		12,902
Residual receipts reserves	27,017		24,791
Replacement reserves	321,670		272,851
Tenant deposits	14,363		12,996
HUD supportive housing program grants	5,725,500		5,725,500
	\$ 6,292,541	\$	6,273,194

Net assets with donor restrictions of FRA include several assets purchased with State of Alaska grant funds and contributions available for periods after June 30, 2022. The grant agreements require that the assets

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

purchased must be used for a particular purpose and period of time or the grant would need to be repaid. The specific restrictions on these assets are described in the Commitments and Contingencies note.

Net assets with donor restrictions of the HUD Foundations consist of grants by HUD for buildings and various HUD mandated cash accounts. The reserve accounts require written HUD approval for disbursement and must be maintained in separate interest bearing accounts. HUD also requires tenant deposits to be kept in a separate interest bearing account.

The specific restrictions on the HUD supportive housing program grants are described in the Commitments and Contingencies note.

Net assets released from net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Senior Center Improvements	\$ 13,765	\$ 13,765
Administrative office facility	11,570	11,571
Contributions	7,730	30,010
Residual receipts reserve withdrawals, net of (additions)	(2,226)	(8,042)
Replacement reserve withdrawals, net of (additions)	(48,819)	(21,737)
Tenant deposits withdrawals, net of (additions)	<u>(1,367)</u>	<u>3,069</u>
	<u>\$ (19,347)</u>	<u>\$ 28,636</u>

Net Assets Without Donor Restrictions - Designated

The Fairbanks Resource Agency, Inc.'s Board of Directors designated a portion of FRA's net assets without donor restrictions to be used for operating reserves in the amount of \$80,048 at June 30, 2021. In February 2022, the board approved releasing that restriction, there are no board designated restrictions on net assets as of June 30, 2022.

Note 10 – Provision of Unemployment Benefits

Fairbanks Resource Agency, Inc. has elected not to be covered by State of Alaska unemployment insurance and is billed directly for benefits paid to claimants. The State Department of Labor has advised FRA that its potential liability for claims filed against base period wages through June 30, 2022 and 2021 was \$8,597 and \$2,579, respectively. The base period for the three months ended June 30, 2022 is subject to further claims.

Note 11 – Employee Benefit Plans

Fairbanks Resource Agency, Inc. has a non-contributory retirement plan known as the Fairbanks Resource Agency Discretionary Contribution Retirement Plan. The plan is qualified under the provisions of the Internal Revenue Code. Employees who are at least age 21 are eligible to participate in the plan after one year of service. Employer contributions to the plan are discretionary. The Organization made \$50,000 commitments to contribute to the plan for the years ended June 30, 2022 and 2021, respectively. The commitments were made for the years ended June 30, 2022 and 2021, in June 2022 and July 2021, respectively.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Fairbanks Resource Agency, Inc. is enrolled in a 403(b)(7) tax deferred retirement program that enables employees to contribute up to 20 percent of their pretax income to a tax deferred investment account.

Fairbanks Resource Agency, Inc. offers its employees a flexible spending plan whereby participants may direct portions of their salaries to support certain benefits payable under the plan. The plan benefits include a health reimbursement plan, dependent care assistance program and premium expense plan.

Note 12 – Leases

The Organization is obligated under multiple operating leases for offices and equipment, which expire at various dates through October 2025. Total lease expense paid to non-related parties for all operating leases for the years ended June 30, 2022, and 2021 was \$36,628 and \$29,839, respectively. Future minimum lease payments are not material to the Organization.

In 2018, FRF entered into an agreement to lease office space to Fairbanks Tech Support, LLC. The lease has a term of 24 months. The current lease requires monthly payments of \$1,797, the lease expires on June 30, 2022. The rental income for this lease was \$21,558 for each year ended June 30, 2022 and 2021, respectively.

Note 13 – Intercompany Transactions

FRF owns, leases and manages housing and work facilities which are leased on a monthly basis to FRA. The estimated fair value rent for these rental facilities is determined by management's review of current rental values of similar properties in the Fairbanks North Star Borough. The estimated fair value rent for the facilities was \$759,927 for the years ended June 30, 2022 and 2021. FRA paid \$517,176 for the years ended June 30, 2022 and 2021. The contributed portion of the rent of the facilities is \$242,751 annually. The contributed portion is considered a contribution from FRF and is included in FRF's rent revenue and FRA's facilities expense. FRF owns the building which secures FRA's revolving line of credit with a deed of trust.

The current lease is under a Board approved lease starting in July 2020. Initial total monthly rent for all five buildings is \$43,098, which is subject to adjustment at July 1 of each successive year based upon Anchorage CPI, but not subject to an increase of more than 2% per year. No adjustment has been made through June 30, 2023.

FRA's contributed use of property to be recognized in future years as a release from net assets with donor restrictions as of June 30 is as follows:

	2022	2021
Less than 1 year	\$ 242,751	\$ 242,751
1 to 5 years	485,502	728,253
	<u>728,253</u>	<u>971,004</u>
Less discount to net present value	(45,194)	(60,259)
	<u>\$ 683,059</u>	<u>\$ 910,745</u>

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Contributed use of the property for more than one year is discounted at 3.31%, the US Treasury five year rate at July 1, 2020, plus 3.0 percent.

Contributed use of property consists of the following:

	2022	2021
Contributed use of property, current	\$ 227,686	\$ 227,686
Contributed use of property, non-current	455,373	683,059
	\$ 683,059	\$ 910,745

Future minimum operating lease payments required under leases that have initial or remaining noncancellable lease terms in excess of one year, including lease payments to FRF, are as follows:

Years Ending June 30,	Amount
2023	\$ 517,176
2024	517,176
2025	517,176

FRA received the following management and maintenance fees for performance of administrative functions and maintenance from each HUD foundation for the years ended June 30:

	2022	2021
John L. Noyes House Foundation	\$ 15,140	\$ 23,429
Mary A. Nordale House Foundation	13,925	19,777
Ivan V. Fosheim House Foundation	18,614	26,277
Jack and Virginia Wright Apartments Foundation	18,018	27,229
John L. Turner House Foundation	14,211	20,357
Marybeth Hafele House Foundation	15,410	20,927
Andrew J. Flodin Apartments Foundation	21,805	29,606
Total management and maintenance fees	\$ 117,123	\$ 167,602

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FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Balances owed between the related entities as a result of these transactions, and cash advances made between the related entities throughout the year were as follows at June 30:

	2022	2021
<u>Due to Fairbanks Resource Agency, Inc.</u>		
Fairbanks Rehabilitation Foundation, Inc.	\$ 10,385	\$ 4,428
John L. Noyes House Foundation	9,234	6,369
Mary A. Nordale House Foundation	45,498	35,929
Ivan V. Fosheim House Foundation	3,597	1,875
Jack and Virginia Wright Apartments Foundation	22,810	30,170
John L. Turner House Foundation	1,218	2,053
Marybeth Hafele House Foundation	2,000	12,235
Andrew J. Flodin Apartments Foundation	25,511	33,706
 Total due to Fairbanks Resource Agency	 \$ 120,253	 \$ 126,765
 <u>Due to Fairbanks Rehabilitation Foundation, Inc.:</u>		
Jack and Virginia Wright Apartments Foundation	\$ 30,961	\$ 30,961
Mary A. Nordale House Foundation	14,476	-
John L. Noyes House Foundation	2,900	-
 Total due to Fairbanks Rehabilitation Foundation, Inc.	 \$ 48,337	 \$ 30,961
 Total Intercompany Receivables/Payables	 \$ 168,590	 \$ 157,726

All intercompany transactions have been eliminated in the combined financial statements.

Note 14 – Economic Dependency

The HUD foundations receive a significant amount of funding from federal grants to maintain their present level of service. Under the regulatory agreement, the HUD foundations may not increase rents charged to tenants without HUD approval.

Note 15 – Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment. Any disallowed claims, including amounts already collected, could become a liability of FRA. Disallowance, if any, cannot be determined at this time; but, in management's opinion, any such disallowance would be immaterial. Additionally, equipment purchased with FRA grant funds could revert to the grantor if the organization were to cease operations or discontinue use of the equipment for the grant program.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

FRA in the normal course of its operations, could be involved in claims or litigation and will accrue amounts it considers sufficient to cover any settlement that may be payable other than what is covered by insurance, when necessary.

Late in 2008, FRA renovated the roof of the administrative office facility. This was funded by a DHSS grant of \$78,543 of which \$74,500 was spent on the project and \$4,043 reverted to the granter. Under the provisions of the grant, number 65C-07-519, the organization signed a deed of trust naming the DHSS as beneficiary. The deed of trust provides for the use of the improvements on the real property to be used for public purpose and for the benefit of at least one of the MHTB groups defined by AS 47.30.545 for a period of 15 years commencing on October 2, 2008. The contingent liability, which is not recorded, and which is secured by the deed of trust, was \$10,438 and \$15,677 on June 30, 2022, and 2021, respectively. It decreases by 6.67 percent of the original indebtedness on each anniversary of the effective date. The net book value is included in net assets with donor restrictions.

Also late in 2008, FRA added an entry and replaced the parking lot for the Senior Center. This was partly funded by a DHSS grant of \$150,391. Under the provisions of this grant, number 65C-07-516, the organization signed a deed of trust naming the DHSS as beneficiary. The deed of trust provides for the use of the improvements on the real property to be used for public purpose and for the benefit of at least one of the MHTB groups defined by AS 47.30.545 for a period of 20 years commencing on October 14, 2008. The contingent liability, which is not recorded, and which is secured by the deed of trust, was \$52,637 and \$60,157 on June 30, 2022 and 2021, respectively. It decreases by five percent of the original indebtedness on each anniversary of the effective date. The net book value is included in net assets with donor restrictions.

In 2013 FRA replaced the carpet of the administrative office facility. This was funded by a DHSS grant of \$126,640. Under the provisions of this grant, number 65C-12-274, the organization signed a deed of trust naming the DHSS as beneficiary. The deed of trust provides for the use of the improvements on the real property to be used for public purpose and for the benefit of at least one of the MHTB groups defined by AS 47.30.545 for a period of 20 years commencing on August 5, 2013. The contingent liability, which is not recorded, and which is secured by the deed of trust, was \$69,124 and \$75,456 on June 30, 2022 and 2021, respectively. The net book value is included in net assets with donor restrictions.

In 2013 FRA remodeled the Senior Services and Adult Day Center Facility. This was partly funded by a DHSS grant of \$124,910. Under the provisions of this grant, number 65C-12-276, the organization signed a deed of trust naming the DHSS as beneficiary. The deed of trust provides for the use of the improvements on the real property to be used for public purpose and for the benefit of at least one of the MHTB groups defined by AS 47.30.545 for a period of 20 years commencing on August 19, 2013. The contingent liability, which is not recorded, and which is secured by the deed of trust, was \$66,619 and \$72,864 on June 30, 2022, and 2021, respectively. The net book value is included in net assets with donor restrictions.

Each HUD foundation must conform to a grant provision that requires the buildings constructed with HUD funds to be available for low-income persons with disabilities for 40 years. If not available to low-income disabled persons for 40 years, the foundations may be required to repay HUD the original capital advance.

John L. Noyes House Foundation substantially completed the construction of a building on December 15, 1999, which cost \$548,916 on land with a fair market value of \$30,298. It was funded by a HUD grant of \$550,900 and \$28,314 in contributions from FRA and FRF.

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Notes to Combined Financial Statements

Years Ended June 30, 2022 and 2021

Mary A. Nordale House Foundation substantially completed the construction of a building on February 28, 1999, which cost \$484,215. It was funded by a HUD grant of \$450,000 and \$34,215 in contributions from FRA and FRF.

Ivan V. Fosheim House Foundation substantially completed the construction of a building on February 20, 2001, which cost \$803,125 on land with a fair market value of \$48,000. It was funded by a HUD grant of \$677,600 and \$125,525 in contributions from FRA and FRF.

Jack & Virginia Wright Apartments Foundation substantially completed the construction of a building on February 12, 2002, which cost \$1,048,826 on land with a fair market value of \$24,681. The building and its furnishings were funded from a HUD grant of \$963,000 and \$146,279 in contributions from FRA and FRF. In addition to the land purchased, a portion valued at \$15,000 was received from a private donor.

John L. Turner House Foundation substantially completed the construction of a building in March 2004, which cost \$719,690 on land with a fair market value of \$39,719. It was funded by a HUD grant of \$687,700 and \$71,709 in contributions from FRA and FRF.

Marybeth Hafele House Foundation substantially completed the construction of a building in February 2006, which cost \$612,907 on land with a fair market value of \$21,000. It was funded by a HUD grant of \$678,300 and \$19,759 in contributions from FRA and FRF.

Andrew J. Flodin Apartments Foundation substantially completed the construction of a building in January 2014, which cost \$2,464,785 on land with a fair market value of \$159,101. It was funded by a HUD grant of \$1,718,000 and several grants awarded to FRA including, a State of Alaska Department of Commerce, Community, and Economic Development grant of \$200,000, a Rasmuson Foundation grant of \$395,000 and an Alaska Mental Health Trust Authority grant of \$50,000. In addition, FRA and FRF contributed \$260,886.

Note 16 – Accounting Pronouncements Issued But Not Yet Adopted or Currently In Effect

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the entities' fiscal years beginning after December 15, 2021, with early adoption permitted.

SUPPLEMENTARY INFORMATION

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combining Statement of Financial Position

June 30, 2022

	HUD										Eliminations	Total
	Fairbanks Resource Agency, Inc.	Fairbanks Rehabilitation Foundation, Inc.	John L. Noyes House Foundation	Jack & Virginia Wright Apartments Foundation	Ivan V. Fosheim House Foundation	John L. Turner House Foundation	Marybeth Hafele House Foundation	Mary A. Nordale House Foundation	Andrew J. Flodin Apartments Foundation	Total HUD		
Assets												
Current Assets:												
Cash and cash equivalents	\$ 760,931	313,159	65,891	41,537	55,630	52,492	49,857	43,624	56,334	365,365	-	1,439,455
Accounts receivable, net	1,086,203	-	-	-	-	-	-	11,094	-	11,094	-	1,097,297
Contributions receivables	44,515	-	-	-	-	-	-	-	-	-	-	44,515
Grants receivable	512,184	-	-	-	-	-	-	-	-	-	-	512,184
Prepaid expenses and deposits	196,658	17,833	798	1,434	2,602	2,850	669	840	1,845	11,038	-	225,529
Current intercompany contributed use of property, net of discount	227,686	-	-	-	-	-	-	-	-	-	(227,686)	-
Intercompany receivables	120,253	48,337	-	-	-	-	-	-	-	-	(168,590)	-
Total Current Assets	2,948,430	379,329	66,689	42,971	58,232	55,342	50,526	55,558	58,179	387,497	(396,276)	3,318,980
Tenant deposits held in trust	-	-	1,247	4,046	2,960	1,564	837	1,348	2,361	14,363	-	14,363
Intercompany contributed use of property, net of current portion and discount	455,373	-	-	-	-	-	-	-	-	-	(455,373)	-
Property and equipment	2,686,591	4,976,583	609,851	1,124,233	896,796	834,315	654,748	558,047	2,638,986	7,316,976	-	14,980,150
Less accumulated depreciation	(2,312,649)	(4,224,500)	(577,417)	(1,079,984)	(842,284)	(704,626)	(510,317)	(498,879)	(1,011,481)	(5,224,988)	-	(11,762,137)
Property and equipment, net	373,942	752,083	32,434	44,249	54,512	129,689	144,431	59,168	1,627,505	2,091,988	-	3,218,013
Total Assets	\$ 3,777,745	1,131,412	100,370	91,266	115,704	186,595	195,794	116,074	1,688,045	2,493,848	(851,649)	6,551,356
Liabilities and Net Assets												
Current Liabilities:												
Accounts payable	\$ 140,232	17,358	2,542	4,667	1,900	1,908	1,707	2,227	3,960	18,911	-	176,501
Accrued payroll and taxes	193,942	-	-	-	-	-	-	-	-	-	-	193,942
Accrued annual leave and benefits payable	255,907	-	-	-	-	-	-	-	-	-	-	255,907
Provision for unemployment benefits	8,597	-	-	-	-	-	-	-	-	-	-	8,597
Deferred rent revenue	11,968	-	-	-	-	-	-	-	-	-	-	11,968
Refundable advance	6,788	-	-	-	-	-	-	-	-	-	-	6,788
Pension payable	50,000	-	-	-	-	-	-	-	-	-	-	50,000
Tenant deposit held in trust	-	1,350	1,247	4,046	2,960	1,564	837	1,348	2,361	14,363	-	15,713
Current maturities of long-term debt	25,261	-	-	-	-	-	-	-	-	-	-	25,261
Current intercompany contributed use of property, net	-	227,686	-	-	-	-	-	-	-	-	(227,686)	-
Intercompany payables	-	10,385	12,134	53,771	3,597	1,218	2,000	59,974	25,511	158,205	(168,590)	-
Total Current Liabilities	692,695	256,779	15,923	62,484	8,457	4,690	4,544	63,549	31,832	191,479	(396,276)	744,677
Intercompany contributed use of property, net of current portion	-	455,373	-	-	-	-	-	-	-	-	(455,373)	-
Line of Credit	149,890	-	-	-	-	-	-	-	-	-	-	149,890
Long-term debt, net of current maturities	46,670	-	-	-	-	-	-	-	-	-	-	46,670
Total Liabilities	889,255	712,152	15,923	62,484	8,457	4,690	4,544	63,549	31,832	191,479	(851,649)	941,237
Net Assets:												
Without Donor Restrictions:												
Operations	1,699,429	(332,823)	(565,066)	(1,022,450)	(681,865)	(681,422)	(681,403)	(500,295)	(1,745,668)	(5,878,169)	683,059	(3,828,504)
Investment in property and equipment, net of related debt	302,011	752,083	32,434	44,249	54,512	129,689	144,431	59,168	1,627,505	2,091,988	-	3,146,082
Total Without Donor Restrictions	2,001,440	419,260	(532,632)	(978,201)	(627,353)	(551,733)	(536,972)	(441,127)	(118,163)	(3,786,181)	683,059	(682,422)
With Donor Restrictions	887,050	-	617,079	1,006,983	734,600	733,638	728,222	493,652	1,774,376	6,088,550	(683,059)	6,292,541
Total Net Assets	2,888,490	419,260	84,447	28,782	107,247	181,905	191,250	52,525	1,656,213	2,302,369	-	5,610,119
Total Liabilities and Net Assets	\$ 3,777,745	1,131,412	100,370	91,266	115,704	186,595	195,794	116,074	1,688,045	2,493,848	(851,649)	6,551,356

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combining Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022

	HUD											
	Fairbanks Resource Agency, Inc.	Fairbanks Rehabilitation Foundation, Inc.	John L. Noyes House Foundation	Jack & Virginia Wright Apartments Foundation	Ivan V. Fosheim House Foundation	John L. Turner House Foundation	Marybeth Hafele House Foundation	Mary A. Nordale House Foundation	Andrew J. Flodin Apartments Foundation	HUD Total	Eliminating Entries	Total
Support and Revenues:												
Support:												
Individuals	\$ 18,887	-	-	-	-	-	-	-	-	-	-	18,887
Government agencies	1,645,917	-	-	-	-	-	-	-	-	-	-	1,645,917
Corporations	4,571	-	-	-	-	-	-	-	-	-	-	4,571
In-kind rent revenue	15,065	-	-	-	-	-	-	-	-	-	(15,065)	-
United Way	46,363	-	-	-	-	-	-	-	-	-	-	46,363
Other	37,500	-	-	-	-	-	-	-	-	-	-	37,500
Net assets released from restrictions	33,065	-	(6,393)	(12,029)	(10,325)	(7,509)	(2,263)	(3,607)	(10,286)	(52,412)	-	(19,347)
Total Support	<u>1,801,368</u>	<u>-</u>	<u>(6,393)</u>	<u>(12,029)</u>	<u>(10,325)</u>	<u>(7,509)</u>	<u>(2,263)</u>	<u>(3,607)</u>	<u>(10,286)</u>	<u>(52,412)</u>	<u>(15,065)</u>	<u>1,733,891</u>
Revenues:												
Client fees	265,863	-	-	-	-	-	-	-	-	-	-	265,863
Medicaid	6,252,103	-	-	-	-	-	-	-	-	-	-	6,252,103
Contracts	2,911,014	-	-	-	-	-	-	-	-	-	(9,116)	2,901,898
Rent revenue	3,060	781,485	13,889	47,669	36,531	18,048	13,774	17,373	32,155	179,439	(759,927)	204,057
HUD tenant assistance	-	-	47,647	71,291	52,454	49,139	34,387	45,954	68,956	369,828	-	369,828
Entrepreneurial revenue	255,709	-	-	-	-	-	-	-	-	-	-	255,709
Other	164,328	16,000	45	25	36	31	35	29	36	237	(149,525)	31,040
Total Revenues	<u>9,852,077</u>	<u>797,485</u>	<u>61,581</u>	<u>118,985</u>	<u>89,021</u>	<u>67,218</u>	<u>48,196</u>	<u>63,356</u>	<u>101,147</u>	<u>549,504</u>	<u>(918,568)</u>	<u>10,280,498</u>
Total Support and Revenues	<u>11,653,445</u>	<u>797,485</u>	<u>55,188</u>	<u>106,956</u>	<u>78,696</u>	<u>59,709</u>	<u>45,933</u>	<u>59,749</u>	<u>90,861</u>	<u>497,092</u>	<u>(933,633)</u>	<u>12,014,389</u>
Expenses:												
Program services	8,498,631	693,921	55,669	115,151	62,727	81,417	59,264	59,244	187,756	621,228	(676,426)	9,137,354
Management and general	3,088,156	31,494	12,442	15,073	14,909	11,325	12,149	10,719	18,440	95,057	(254,327)	2,960,380
Fundraising	88,721	-	-	-	-	-	-	-	-	-	(2,880)	85,841
Total Expenses	<u>11,675,508</u>	<u>725,415</u>	<u>68,111</u>	<u>130,224</u>	<u>77,636</u>	<u>92,742</u>	<u>71,413</u>	<u>69,963</u>	<u>206,196</u>	<u>716,285</u>	<u>(933,633)</u>	<u>12,183,575</u>
Change in Net Assets Before Other Changes	<u>(22,063)</u>	<u>72,070</u>	<u>(12,923)</u>	<u>(23,268)</u>	<u>1,060</u>	<u>(33,033)</u>	<u>(25,480)</u>	<u>(10,214)</u>	<u>(115,335)</u>	<u>(219,193)</u>	<u>-</u>	<u>(169,186)</u>
Other Changes in Net Assets -												
Interest income	-	266	-	-	-	-	-	-	-	-	-	266
Change in Net Assets With Donor Restrictions -												
Net assets released from restrictions	<u>(33,065)</u>	<u>-</u>	<u>6,393</u>	<u>12,029</u>	<u>10,325</u>	<u>7,509</u>	<u>2,263</u>	<u>3,607</u>	<u>10,286</u>	<u>52,412</u>	<u>-</u>	<u>19,347</u>
Change in Net Assets	<u>(55,128)</u>	<u>72,336</u>	<u>(6,530)</u>	<u>(11,239)</u>	<u>11,385</u>	<u>(25,524)</u>	<u>(23,217)</u>	<u>(6,607)</u>	<u>(105,049)</u>	<u>(166,781)</u>	<u>-</u>	<u>(149,573)</u>
Net Assets, beginning of year	<u>2,943,618</u>	<u>346,924</u>	<u>90,977</u>	<u>40,021</u>	<u>95,862</u>	<u>207,429</u>	<u>214,467</u>	<u>59,132</u>	<u>1,761,262</u>	<u>2,469,150</u>	<u>-</u>	<u>5,759,692</u>
Net Assets, end of year	<u>\$ 2,888,490</u>	<u>419,260</u>	<u>84,447</u>	<u>28,782</u>	<u>107,247</u>	<u>181,905</u>	<u>191,250</u>	<u>52,525</u>	<u>1,656,213</u>	<u>2,302,369</u>	<u>-</u>	<u>5,610,119</u>

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combining Schedule of Program Services

Year Ended June 30, 2022

	FRA				FRF	HUD		Total Program Services	
	Residential Services	Employment Services	Respite Care and Senior Services	Family Services	Total FRA	Property Management	Residential Housing		Eliminating Entries
Personnel	\$ 4,266,538	96,811	444,228	1,870,421	6,677,998	-	-	-	6,677,998
Facilities	181,498	8,867	55,743	192,547	438,655	527,020	200,684	(389,305)	777,054
Facilities, in-kind rent	45,936	-	188,478	-	234,414	-	-	(234,414)	-
Supplies	163,984	1,340	8,954	192,980	367,258	-	23,994	(4,350)	386,902
Equipment	65,048	1,773	6,951	145,174	218,946	3,352	-	-	222,298
Professional services	16,795	6,086	34,455	84,037	141,373	33,739	110,943	(41,629)	244,426
Travel and training	1,011	75	2,629	4,463	8,178	-	-	-	8,178
Insurance	25,398	8,105	7,625	62,098	103,226	59,877	60,387	-	223,490
Printing and advertising	410	60	6,327	461	7,258	-	-	-	7,258
Contract providers	-	-	-	72,000	72,000	-	-	-	72,000
Conventions and meetings	-	-	-	-	-	-	-	-	-
Dues and subscriptions	8,899	163	434	2,896	12,392	-	-	-	12,392
Other expenses	24,948	256	9,268	109,721	144,193	15,747	1,415	(6,728)	154,627
Total Expenses									
Before Depreciation	4,800,465	123,536	765,092	2,736,798	8,425,891	639,735	397,423	(676,426)	8,786,623
Depreciation	15,921	-	18,844	37,975	72,740	54,186	223,805	-	350,731
Total Expenses	\$ 4,816,386	123,536	783,936	2,774,773	8,498,631	693,921	621,228	(676,426)	9,137,354

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Combining Schedule of Support Services

Year Ended June 30, 2022

	Management and General					Fundraising			Total Support Services
	FRA	FRF	HUD	Eliminating Entries	Total Management and General	FRA	Eliminating Entries	Total Fundraising	
Personnel	\$ 2,191,871	-	59,201	(59,201)	2,191,871	81,058	-	81,058	2,272,929
Facilities	180,793	-	-	(131,086)	49,707	3,033	(2,880)	153	49,860
Facilities, in-kind rent	8,337	-	-	(8,337)	-	-	-	-	-
Supplies	47,356	-	-	-	47,356	139	-	139	47,495
Equipment	115,247	-	-	-	115,247	253	-	253	115,500
Professional services	342,130	23,730	35,486	(47,366)	353,980	418	-	418	354,398
Travel and training	2,546	-	-	-	2,546	-	-	-	2,546
Insurance	49,592	5,888	-	-	55,480	127	-	127	55,607
Printing and advertising	6,814	-	-	-	6,814	294	-	294	7,108
Contract providers	-	-	-	-	-	-	-	-	-
Conventions and meetings	-	-	370	-	370	-	-	-	370
Dues and subscriptions	44,825	-	-	-	44,825	3,399	-	3,399	48,224
Other expenses	44,306	1,876	-	(8,337)	37,845	-	-	-	37,845
Total Expenses									
Before Depreciation	3,033,817	31,494	95,057	(254,327)	2,906,041	88,721	(2,880)	85,841	2,991,882
Depreciation	54,339	-	-	-	54,339	-	-	-	54,339
Total Expenses	\$ 3,088,156	31,494	95,057	(254,327)	2,960,380	88,721	(2,880)	85,841	3,046,221

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES
 Schedule of Revenues and Expenses - Budget and Actual
 DHSS Mental Health Deferred Maintenance and Accessibility Improvements
 Grant Number C12-023-20020
 Year Ended June 30, 2022

	Budget	Actual		Total	Variance
		Prior Year	Current Year		
Revenues:					
State of Alaska	\$ 50,000	44,386	5,614	50,000	-
Match:					
Required Match	10,000	-	10,000	10,000	-
Addition - project support	2,000	-	2,000	2,000	-
Total Match	12,000	-	12,000	12,000	-
Total Revenues	62,000	44,386	17,614	62,000	-
Expenses:					
Equipment	62,000	44,386	17,614	62,000	-
Excess of Revenues over Expenses	\$ -	-	-	-	-

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Schedule of Revenues and Expenses - Budget and Actual
DHSS Mental Health Essential Program Equipment FY21
Grant Number C12-041-21005
Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State of Alaska	\$ 25,000	1,508	(23,492)
Match:			
Required Match	2,500	-	(2,500)
Addition - project support	7,420	-	(7,420)
Total Match	<u>9,920</u>	<u>-</u>	<u>(9,920)</u>
Total Revenues	<u>34,920</u>	<u>1,508</u>	<u>(33,412)</u>
Expenses:			
Equipment	<u>34,920</u>	<u>1,508</u>	<u>33,412</u>
Excess of Revenues over Expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Schedule of Revenues and Expenses - Budget and Actual

DHSS Senior In-Home Services

Grant Number 607-311-22007

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State of Alaska	\$ 232,787	232,787	-
Required match	23,279	23,279	-
Total Revenues	<u>256,066</u>	<u>256,066</u>	<u>-</u>
Expenses:			
Personnel services	224,831	224,877	(46)
Travel	2,800	2,754	46
Facility expenses	15,747	15,747	-
Supplies	1,701	1,701	-
Equipment	362	362	-
Other	10,625	10,625	-
Total Expenses	<u>256,066</u>	<u>256,066</u>	<u>-</u>
Excess of Revenues over Expenses	<u>\$ -</u>	<u>-</u>	<u>-</u>

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Schedule of Revenues and Expenses - Budget and Actual

DHSS Adult Day Services

Grant Number 607-298-22003

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State of Alaska	\$ 155,464	155,464	-
Required match	15,546	15,546	-
Total Revenues	<u>171,010</u>	<u>171,010</u>	<u>-</u>
Expenses:			
Personnel services	140,594	141,142	(548)
Travel	1,000	150	850
Facility	12,761	12,062	699
Supplies	3,649	3,650	(1)
Equipment	590	590	-
Other	12,416	13,416	(1,000)
Total Expenses	<u>171,010</u>	<u>171,010</u>	<u>-</u>
Excess of Revenues over Expenses	<u>\$ -</u>	<u>-</u>	<u>-</u>

FAIRBANKS RESOURCE AGENCY, INC. AND AFFILIATES

Schedule of Revenues and Expenses - Budget and Actual

DHSS National Family Caregiver Support

Grant Number 607-307-22004

Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal passed through State of Alaska	\$ 92,695	92,695	-
State of Alaska	30,898	30,898	-
Required match	12,359	12,359	-
	<u>135,952</u>	<u>135,952</u>	<u>-</u>
Total Revenues	<u>135,952</u>	<u>135,952</u>	<u>-</u>
Expenses:			
Personnel services	108,538	108,538	-
Travel	900	900	-
Facility	4,437	4,437	-
Supplies	1,590	1,590	-
Equipment	295	295	-
Other	20,192	20,192	-
	<u>135,952</u>	<u>135,952</u>	<u>-</u>
Total Expenses	<u>135,952</u>	<u>135,952</u>	<u>-</u>
Excess of Revenues over Expenses	<u>\$ -</u>	<u>-</u>	<u>-</u>

FAIRBANKS RESOURCE AGENCY, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Grantor's Number/ Pass-Through Entity Identifying Number</i>	<i>Assistance Listing Number</i>	<i>Federal Expenditures</i>
Department of the Treasury			
Passed through State of Alaska			
Department of Health and Social Services			
COVID-19 Coronavirus Relief Fund	none	21.019	\$ 1,764
Passed through Alaska Community Foundation			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	none	21.027	<u>500,000</u>
Total Department of the Treasury			<u>501,764</u>
Department of Health and Human Services			
Passed through State of Alaska			
Department of Health and Social Services			
National Family Caregiver Support, Title III, Part E Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	607-307-22004	93.052	92,695
		93.498	<u>766,209</u>
Total Department of Health and Human Services			<u>858,904</u>
Total Expenditures of Federal Awards			<u>\$ 1,360,668</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Fairbanks Resource Agency, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fairbanks Resource Agency, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Fairbanks Resource Agency, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

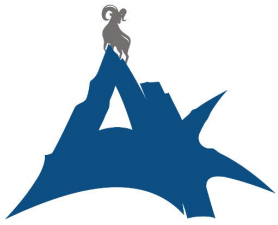
Note 3. Indirect Cost Rate

The Organization did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Provider Relief Fund

Provider Relief Funds included in the Schedule represent Period 2 funds received. Amounts included in the Schedule will not agree to the amount included in the combined financial statements of Fairbanks Resource Agency, Inc.

COMPLIANCE AUDIT REPORTS



PORTER & ALLISON

INC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Fairbanks Resource Agency, Inc. and Affiliates
Fairbanks, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Fairbanks Resource Agency, Inc. (a nonprofit organization) and Affiliates, which comprise the combined statement of financial position as of June 30, 2022, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairbanks Resource Agency, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairbanks Resource Agency, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Fairbanks Resource Agency, Inc. and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

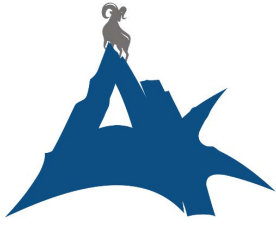
As part of obtaining reasonable assurance about whether Fairbanks Resource Agency, Inc. and Affiliates' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Porter & Allison, Inc.

Anchorage Alaska
March 30, 2023



PORTER & ALLISON

INC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Fairbanks Resource Agency, Inc.
Fairbanks, Alaska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fairbanks Resource Agency, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fairbanks Resource Agency, Inc.'s major federal programs for the year ended June 30, 2022. Fairbanks Resource Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fairbanks Resource Agency, Inc.'s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Fairbanks Resource Agency, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Fairbanks Resource Agency, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Fairbanks Resource Agency, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Fairbanks Resource Agency, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Fairbanks Resource Agency, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Fairbanks Resource Agency, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Fairbanks Resource Agency, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Fairbanks Resource Agency, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal

control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Porter & Allison, Inc.

Anchorage, Alaska
March 30, 2023

FAIRBANKS RESOURCE AGENCY, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I – Summary of Auditor Results		
<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	<u>X</u> no
• Significant deficiency(ies) identified?	___ yes	<u>X</u> no
• Noncompliance material to financial statements noted?	___ yes	<u>X</u> no
<i>Federal Awards</i>		
Internal control over major federal programs:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)
Type of auditor’s report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	___ yes	<u>X</u> no
Identification of major federal programs:		
CFDA Number	Name of Federal Program or Cluster	Agency
93.498	Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	Department of Health and Human Services
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	___ yes	<u>X</u> no

Section II – Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards
There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in <i>Government Auditing Standards</i> .

Section III – Federal Award Findings and Questioned Costs
There were no findings related to the federal awards which are required to be reported in accordance with the Uniform Guidance.