NARROW GATE FOUNDATION AND SUBSIDIARY

WILLIAMSPORT, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

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KraftCPAs PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Narrow Gate Foundation and Subsidiary
Williamsport, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Narrow Gate Foundation and Subsidiary (collectivity, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Narrow Gate Foundation and Subsidiary as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kraft CPAs PLLC

Nashville, Tennessee
June 28, 2019

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Cash	$ 330,936	$ 315,733
Accounts receivable	30,918	37,045
Inventory	30,371	27,302
Property and equipment, net	538,368	381,111
TOTAL ASSETS	$ 930,593	$ 761,191

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 153,161	$ 34,902
Deferred revenue	9,772	-
TOTAL LIABILITIES	162,933	34,902
NET ASSETS		
Net assets without donor restrictions		
Designated for property and equipment	538,368	381,111
Undesignated	229,292	344,178
Total net assets without donor restrictions	767,660	725,289
Net assets with donor restrictions		
Specific property and equipment	-	1,000
Total net assets with donor restrictions	-	1,000
TOTAL NET ASSETS	767,660	726,289
TOTAL LIABILITIES AND NET ASSETS	$ 930,593	$ 761,191

See accompanying notes to the consolidated financial statements.

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Contributions	$ 960,126	$ 204,175	$ 1,164,301
In-kind contributions	42,600	-	42,600
Special events	251,097	-	251,097
Less: direct expenses	(18,790)	-	(18,790)
Net assets released from restrictions	205,175	(205,175)	-
Total public support	1,440,208	(1,000)	1,439,208
OTHER REVENUE			
Enrollment fees	30,360	-	30,360
Application fees	3,274	-	3,274
Total other revenue	33,634	-	33,634
Narrow Gate Trading Company sales	499,964	-	499,964
Gain (loss) on disposal of property and equipment	2,000	-	2,000
Other revenue	815	-	815
Interest income	209	-	209
TOTAL SUPPORT AND REVENUE	1,976,830	(1,000)	1,975,830
EXPENSES			
Program services	1,487,485	-	1,487,485
Supporting services:			
Management and general	126,360	-	126,360
Fundraising	320,614	-	320,614
TOTAL EXPENSES	1,934,459	-	1,934,459
CHANGE IN NET ASSETS	42,371	(1,000)	41,371
NET ASSETS - BEGINNING OF YEAR	725,289	1,000	726,289
NET ASSETS - END OF YEAR	$ 767,660	$ -	$ 767,660

See accompanying notes to the consolidated financial statements.

2017		
WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
$ 1,021,013	$ 64,215	$ 1,085,228
42,600	-	42,600
294,007	-	294,007
(21,994)	-	(21,994)
63,215	(63,215)	-
1,398,841	1,000	1,399,841
31,600	-	31,600
2,071	-	2,071
33,671	-	33,671
330,538	-	330,538
(3,942)	-	(3,942)
374	-	374
63	-	63
1,759,545	1,000	1,760,545
1,371,267	-	1,371,267
106,046	-	106,046
196,025	-	196,025
1,673,338	-	1,673,338
86,207	1,000	87,207
639,082	-	639,082
$ 725,289	$ 1,000	$ 726,289

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 41,371	$ 87,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on disposal of property and equipment	(2,000)	3,942
Depreciation	57,614	62,171
Decrease (increase) in:		
Accounts receivable	6,127	(32,657)
Inventory	(3,069)	2,202
Increase (decrease) in:		
Accounts payable and accrued expenses	118,259	21,797
Deferred revenue	9,772	-
TOTAL ADJUSTMENTS	186,703	57,455
NET CASH PROVIDED BY OPERATING ACTIVITIES	228,074	144,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(214,871)	(113,000)
Proceeds from disposal of property and equipment	2,000	895
NET CASH USED IN INVESTING ACTIVITIES	(212,871)	(112,105)
INCREASE IN CASH	15,203	32,557
CASH - BEGINNING OF YEAR	315,733	283,176
CASH - END OF YEAR	$ 330,936	$ 315,733

See accompanying notes to the consolidated financial statements.

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	PROGRAM SERVICES						SUPPORTING SERVICES			
	FOUNDATION	COMMUNITY	SERVICE	TRADING COMPANY	EXCHANGE	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Payroll	$ 118,578	$ 118,573	$ 118,585	$ 230,358	$ 53,198	$ 639,292	$ 32,716	$ 158,506	$ 191,222	$ 830,514
Payroll fees	194	194	194	1,724	167	2,473	1,574	194	1,768	4,241
Payroll taxes	8,604	8,603	8,603	17,106	3,477	46,393	1,510	11,469	12,979	59,372
Health insurance	11,754	11,754	12,221	-	752	36,481	12,069	11,639	23,708	60,189
TOTAL PAYROLL AND RELATED EXPENSES	139,130	139,124	139,603	249,188	57,594	724,639	47,869	181,808	229,677	954,316
Accounting fees	-	-	-	3,000	-	3,000	25,208	-	25,208	28,208
Bank and merchant fees	-	-	-	-	-	-	11,437	-	11,437	11,437
Computer services	443	443	443	-	-	1,329	-	682	682	2,011
Contract labor	167	167	167	-	2,800	3,301	-	2,729	2,729	6,030
Contract services	-	-	-	18,800	-	18,800	-	-	-	18,800
Costs of goods sold	-	-	-	135,377	-	135,377	-	-	-	135,377
Depreciation	17,791	17,791	17,791	4,241	-	57,614	-	-	-	57,614
Food	38,957	37,472	40,454	-	79	116,962	-	4,683	4,683	121,645
Gas	6,817	6,867	6,634	907	40	21,265	4,340	5,522	9,862	31,127
Insurance	7,651	7,651	7,651	20,991	463	44,407	3,630	4,491	8,121	52,528
Legal fees	-		-	2,430	-	2,430	-	-	-	2,430
Marketing	5,298	5,351	5,340	17,245	19,094	52,328	2,427	78,491	80,918	133,246
Occupancy	18,722	18,719	18,719	39,695	-	95,855	3,829	3,831	7,660	103,515
Office expenses	2,316	2,225	2,433	36,675	326	43,975	624	1,808	2,432	46,407
Other expenses	9,654	8,300	11,047	14,284	98	43,383	23,683	3,651	27,334	70,717
Property supplies and maintenance	26,867	29,616	29,698	3,372	809	90,362	1,880	438	2,318	92,680
Repairs and maintenance	-	-	-	275	-	275	-	-	-	275
Special events expenses	-	-	-	-	-	-	-	18,790	18,790	18,790
Telephone	2,105	2,105	2,105	-	944	7,259	494	2,120	2,614	9,873
Travel and meetings	166	166	2,234	3,774	404	6,744	-	28,707	28,707	35,451
Vehicle expenses	5,916	6,066	6,092	75	31	18,180	939	1,653	2,592	20,772
TOTAL EXPENSES	282,000	282,063	290,411	550,329	82,682	1,487,485	126,360	339,404	465,764	1,953,249
Less: expenses netted with revenue on consolidated statement of activities										
Special event expenses	-	-	-	-	-	-	-	(18,790)	(18,790)	(18,790)
TOTAL EXPENSES BY FUNCTION	$ 282,000	$ 282,063	$ 290,411	$ 550,329	$ 82,682	$ 1,487,485	$ 126,360	$ 320,614	$ 446,974	$ 1,934,459

See accompanying notes to the consolidated financial statements.

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES					SUPPORTING SERVICES			
	FOUNDATION	COMMUNITY	SERVICE	TRADING COMPANY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Payroll	$ 105,985	$ 105,980	$ 105,471	$ 196,510	$ 513,946	$ 27,914	$ 100,668	$ 128,582	$ 642,528
Payroll fees	-	-	-	1,818	1,818	1,239	-	1,239	3,057
Payroll taxes	7,614	7,614	7,534	14,660	37,422	1,196	7,094	8,290	45,712
Health insurance	10,654	10,654	10,523	-	31,831	13,083	10,042	23,125	54,956
TOTAL PAYROLL AND RELATED EXPENSES	124,253	124,248	123,528	212,988	585,017	43,432	117,804	161,236	746,253
Accounting fees	-	-	-	3,250	3,250	24,298	-	24,298	27,548
Bank and merchant fees	-	-	-	-	-	14,899	3	14,902	14,902
Computer services	149	227	471	-	847	-	1,145	1,145	1,992
Contract labor	507	3,940	4,440	-	8,887	-	18,042	18,042	26,929
Contract services	-	-	-	200	200	-	-	-	200
Costs of goods sold	-	-	-	113,315	113,315	-	-	-	113,315
Depreciation	19,084	19,084	19,083	4,920	62,171	-	-	-	62,171
Food	38,579	42,192	47,297	-	128,068	1,850	6,479	8,329	136,397
Gas	6,928	7,529	7,652	-	22,109	1,847	3,628	5,475	27,584
Insurance	7,324	7,324	7,287	10,673	32,608	2,083	3,793	5,876	38,484
Legal fees	137	137	137	-	411	-	-	-	411
Marketing	18,861	18,842	21,278	10,563	69,544	1,707	18,879	20,586	90,130
Occupancy	14,791	16,272	14,655	40,867	86,585	3,825	3,896	7,721	94,306
Office expenses	2,484	2,736	4,156	14,765	24,141	2,084	2,359	4,443	28,584
Other expenses	10,259	22,653	16,435	21,532	70,879	8,092	9,949	18,041	88,920
Property supplies and maintenance	29,367	26,199	27,108	1,648	84,322	-	777	777	85,099
Repairs and maintenance	-	-	-	900	900	-	-	-	900
Special events expenses	-	-	-	-	-	-	21,994	21,994	21,994
Telephone	3,961	4,286	4,152	-	12,399	1,129	4,192	5,321	17,720
Travel and meetings	12,301	12,301	18,163	3,652	46,417	-	4,056	4,056	50,473
Vehicle expenses	6,332	6,527	6,338	-	19,197	800	1,023	1,823	21,020
TOTAL EXPENSES	295,317	314,497	322,180	439,273	1,371,267	106,046	218,019	324,065	1,695,332
Less: expenses netted with revenue on consolidated statement of activities									
Special event expenses	-	-	-	-	-	-	(21,994)	(21,994)	(21,994)
TOTAL EXPENSES BY FUNCTION	$ 295,317	$ 314,497	$ 322,180	$ 439,273	$ 1,371,267	$ 106,046	$ 196,025	$ 302,071	$ 1,673,338

See accompanying notes to the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Narrow Gate Foundation (the "Foundation") is a nonprofit organization chartered in the State of Tennessee in 2004 to provide a Christian discipleship experience for young men ages 18-25 desiring to take a pause from the distractions of life to discover who they are and what their purpose here on earth is all about. This includes living in a wilderness environment, participating in daily chores and community work projects to build teamwork and developing good work disciplines, going on challenging adventures, and most importantly, studying the Bible and other Christian curriculum to help shape them into godly young men. The Foundation is supported primarily through individual and business contributions.

Narrow Gate Trading Company ("Trading Co"), is a wholly owned subsidiary of the Foundation whose purpose is to demonstrate discipleship in the workplace, provide employment opportunities for our graduates and create a sustainable model for revenue generation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and Trading Co, (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Net assets, revenue, gain, and losses are classified based on the existence or absence of donor or grantor impose restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has no net assets with donor restrictions that are perpetual in nature.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions and Support

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as net assets with donor restrictions.

The Organization reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

The Organization does not accept or deny any student based on their ability to financially support the ministry. However, students and their families are expected to do all they can to off-set the cost of their stay while at the Organization’s facilities.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible contributions is determined by management based on historical loss experience and current economic conditions. Delinquent contributions receivable are charged off against the allowance when management deems further collection efforts will not produce additional recoveries. Subsequent recoveries of previously charged off accounts are credited to the allowance in the period received.

The Organization did not have any contributions receivable as of December 31, 2018, or 2017; accordingly, no allowance for uncollectible contributions has been recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

Cash consists principally of checking account balances.

Inventory

Inventories consist of raw materials and finished goods and are reported at the lower of cost or net realizable value, with cost determined by the first-in, first-out ("FIFO") method, with the exception of all wood included in raw materials, where cost is determined by the moving average cost method.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at the date of gift to the Organization. The Organization's policy is to capitalize expenditures with a cost of $5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets (leasehold improvements - 15 years; furniture and fixtures, equipment, and vehicles - 5 to 7 years). Expenditures for repairs and maintenance are charged to operations when incurred.

Donated Services

The Organization's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor, at the estimated fair value of the services received.

Program and Supporting Services

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services - includes the following programs:

Foundation, Community and Service - provide a Christian discipleship experience for young men ages 18-25 desiring to take a pause from the distractions of life to discover who they are and what their purpose here on earth is all about.

Trading Company - gives an opportunity for graduates of the Foundations program to refine craftsmanship skills through woodworking and similar crafts programs.

Exchange - enables qualified disciples from various countries to come to the US and receive intensive training at the Marc Adams School of Woodworking in milling lumber and making wood products that are marketable in their countries or via export.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued)

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities related to obtaining resources. These costs include staff time, materials and other related expenses. Activities related to obtaining financial support include the annual fundraising campaign and certain events.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Consolidated Statement of Activities. The Consolidated Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that are consistently applied. All allocated expenses are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and files a U.S. Federal Form 990. Accordingly, income taxes are not provided.

Trading Co is a disregarded entity for tax purposes and any activities of the subsidiary is included in the Form 990 filed by the Foundation.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization’s income tax returns to determine whether the income tax positions meet a “more likely than not” standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the “more likely than not” standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Additionally, ASU 2016-14 required all not-for-profit entities to present expenses by their natural and functional expense classification. The Foundation has adjusted the presentation of these consolidated statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Authoritative Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Organization currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the consolidated statement of financial position in amounts that will be material.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2018 and June 28, 2019, the date the financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financials assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, as of December 31, 2018 are as follows:

	2018	2017
Cash and cash equivalents	$ 330,936	$ 315,733
Accounts receivable	30,918	37,045
	$ 361,854	$ 352,778

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash balances.

The Organization received contributions from two donors that approximated 23% and 33% of total contributions for year ended December 31, 2018 and 2017.

NOTE 4 - INVENTORY

Inventory relates to items used by Trading Co and consists of the following as of December 31, 2018 and 2017:

	2018	2017
Raw materials	$ 25,198	$ 22,207
Finished goods	5,173	5,095
	$ 30,371	$ 27,302

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Leasehold improvements	$ 652,430	$ 467,653
Furniture and fixtures	66,916	61,825
Equipment	160,705	127,593
Vehicles	138,836	142,350
Construction in progress	-	28,594
	1,018,887	828,015
Less: accumulated depreciation	(480,519)	(446,904)
	$ 538,368	$ 381,111

NOTE 5 - OPERATING LEASES

The Organization is obligated under an operating lease agreement for residential property, which is owned by a member of the board of directors. The lessor will decide at each fiscal year end whether or not to forgive the annual rent owed by the Organization for its use and occupancy of the property. For fiscal year end December 31, 2018 and 2017, rent expense totaled $30,600 respectively. The lessor has forgiven the rent for the current fiscal year end, which is recognized and recorded as an in-kind contribution in the accompanying consolidated statement of activities. The lease expires September 30, 2022.

Future lease obligations, assuming the Organization is not forgiven its annual rent requirement, at December 31, 2018 follows:

Year ending December 31,	
2019	$ 33,120
2020	33,120
2021	33,120
2022	25,050
	$ 124,410

The Organization operates under a month-to-month lease at $2,600 per month for the Trading Co property. The Trading Co is in the process of moving locations and expects to be in a new location in 2019.

Total rent expense was approximately $62,500 and $61,800 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 - IN-KIND DONATIONS

The Organization received in-kind donations for the year ended December 31, 2018 and 2017 as follows:

	2018	2017
Facilities rental	$ 30,600	$ 30,600
Professional accounting services	12,000	12,000
	$ 42,600	$ 42,600