NARROW GATE FOUNDATION AND SUBSIDIARY

WILLIAMSPORT, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017 AND 2016

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CONTENTS

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, 2017 and 2016, 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 audit. 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, 2017 and 2016, 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
August 6, 2018

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Cash	$ 315,733	$ 283,176
Accounts receivable	37,045	4,388
Inventory	27,302	29,504
Property and equipment, net	381,111	335,119
TOTAL ASSETS	$ 761,191	$ 652,187

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 34,902	$ 13,105
TOTAL LIABILITIES	34,902	13,105
NET ASSETS		
Unrestricted:		
Designated for property and equipment	381,111	335,119
Undesignated	344,178	303,963
Total unrestricted	725,289	639,082
Temporarily restricted:		
Specific property and equipment	1,000	-
Total temporarily restricted	1,000	-
TOTAL NET ASSETS	726,289	639,082
TOTAL LIABILITIES AND NET ASSETS	$ 761,191	$ 652,187

See accompanying notes to the consolidated financial statements.

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total Total
SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Contributions	$ 1,021,013	$ 64,215	$ 1,085,228
In-kind contributions	42,600	-	42,600
Special events	294,007	-	294,007
Less: direct expenses	(21,994)	-	(21,994)
Net assets released from restrictions	63,215	(63,215)	-
Total public support	1,398,841	1,000	1,399,841
OTHER REVENUE			
Tuition revenue	-	-	-
Enrollment fees	31,600	-	31,600
Application fees	2,071	-	2,071
Net tuition and related revenue	33,671	-	33,671
Narrow Gate Trading Company sales	330,538	-	330,538
Refer and share	-	-	-
Loss on disposal of property and equipment	(3,942)	-	(3,942)
Other revenue	374	-	374
Interest income	63	-	63
TOTAL SUPPORT AND REVENUE	1,759,545	1,000	1,760,545
EXPENSES			
Program services	1,371,267	-	1,371,267
Supporting services:			
Management and general	106,046	-	106,046
Fundraising	196,025	-	196,025
TOTAL EXPENSES	1,673,338	-	1,673,338
CHANGE IN NET ASSETS	86,207	1,000	87,207
NET ASSETS - BEGINNING OF YEAR	639,082	-	639,082
NET ASSETS - END OF YEAR	$ 725,289	$ 1,000	$ 726,289

See accompanying notes to the consolidated financial statements.

2016		
Unrestricted Unrestricted	Temporarily Restricted	Total Total
$ 773,089	$ 114,966	$ 888,055
44,817	-	44,817
202,457	-	202,457
(31,183)	-	(31,183)
114,966	(114,966)	-
1,104,146	-	1,104,146
23,865	-	23,865
26,000	-	26,000
1,825	-	1,825
51,690	-	51,690
304,925	-	304,925
1,350	-	1,350
-	-	-
2,893	-	2,893
46	-	46
1,465,050	-	1,465,050
1,100,773	-	1,100,773
123,891	-	123,891
184,361	-	184,361
1,409,025	-	1,409,025
56,025	-	56,025
583,057	-	583,057
$ 639,082	$ -	$ 639,082

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 87,207	$ 56,025
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	3,942	-
Depreciation	62,171	51,758
Decrease (increase) in:		
Accounts receivable	(32,657)	(4,388)
Contributions receivable	-	20,000
Inventory	2,202	(3,796)
Donated lumber	-	19,640
Increase (decrease) in:		
Accounts payable and accrued expenses	21,797	(8,470)
TOTAL ADJUSTMENTS	57,455	74,744
NET CASH PROVIDED BY OPERATING ACTIVITIES	144,662	130,769
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(113,000)	(58,281)
Proceeds from disposal of property and equipment	895	-
NET CASH USED IN INVESTING ACTIVITIES	(112,105)	(58,281)
INCREASE IN CASH	32,557	72,488
CASH - BEGINNING OF YEAR	283,176	210,688
CASH - END OF YEAR	$ 315,733	$ 283,176

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.

NARROW GATE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES					SUPPORTING SERVICES			
	FOUNDATION	COMMUNITY	SERVICE	TRADING COMPANY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Payroll	$ 97,212	$ 97,207	$ 97,220	$ 132,589	$ 424,228	$ 56,445	$ 93,997	$ 150,442	$ 574,670
Payroll fees	198	198	198	1,790	2,384	1,326	198	1,524	3,908
Payroll taxes	6,731	6,730	6,731	12,072	32,264	1,170	6,636	7,806	40,070
Health insurance	11,102	11,102	11,220	-	33,424	1,690	10,446	12,136	45,560
TOTAL PAYROLL AND RELATED EXPENSES	115,243	115,237	115,369	146,451	492,300	60,631	111,277	171,908	664,208
Accounting fees	-	-	-	2,250	2,250	24,085	-	24,085	26,335
Bank and merchant fees	-	-	-	-	-	13,395	-	13,395	13,395
Computer services	42	42	42	-	126	-	365	365	491
Contract labor	2,712	8,713	8,713	-	20,138	960	960	1,920	22,058
Contract services	-	-	-	925	925	-	-	-	925
Costs of goods sold	-	-	-	89,173	89,173	-	-	-	89,173
Depreciation	15,500	15,500	15,499	5,259	51,758	-	-	-	51,758
Food	34,018	37,042	37,845	-	108,905	-	5,192	5,192	114,097
Gas	6,238	6,238	6,248	-	18,724	2,291	4,232	6,523	25,247
Insurance	7,189	7,189	7,189	9,903	31,470	4,204	4,204	8,408	39,878
Marketing	2,031	2,188	2,174	15,322	21,715	1,374	30,898	32,272	53,987
Occupancy	16,726	16,713	16,713	42,602	92,754	3,825	3,834	7,659	100,413
Office expenses	2,302	2,027	2,011	9,354	15,694	1,722	2,114	3,836	19,530
Other expenses	14,631	12,461	15,108	10,647	52,847	6,433	3,291	9,724	62,571
Property supplies and maintenance	19,084	18,903	19,987	1,899	59,873	-	81	81	59,954
Repairs and maintenance	-	-	-	3,340	3,340	-	-	-	3,340
Servants table	-	-	-	-	-	-	85	85	85
Special events expenses	-	-	-	-	-	-	31,183	31,183	31,183
Telephone	2,698	6,069	4,383	-	13,150	2,073	3,803	5,876	19,026
Travel and meetings	2,752	2,752	525	2,378	8,407	2,445	9,321	11,766	20,173
Vehicle expenses	5,248	5,683	6,293	-	17,224	453	4,704	5,157	22,381
TOTAL EXPENSES	246,414	256,757	258,099	339,503	1,100,773	123,891	215,544	339,435	1,440,208
Less: expenses netted with revenue on consolidated statement of activities									
Special event expenses	-	-	-	-	-	-	(31,183)	(31,183)	(31,183)
TOTAL EXPENSES BY FUNCTION	$ 246,414	$ 256,757	$ 258,099	$ 339,503	$ 1,100,773	$ 123,891	$ 184,361	$ 308,252	$ 1,409,025

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 Co. ("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").

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income, or specific portions thereof, be used for operations. The Organization had no permanently restricted net assets as of December 31, 2017 or 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the consolidated statement of activities as net assets released from 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.

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, 2017, or 2016; accordingly, no allowance for uncollectible contributions has been recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition Revenue

Tuition and program fees are recorded as revenues during the year the related payments are received. Tuition and program fees may be reduced by sponsorships, foundation grants, individual contributions and business contributions.

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. The Organization receives conditional promises from students and their families to make tuition payments on behalf of the student in monthly installments or a lump sum. Nevertheless, the collectability of these payments is not reasonably assured and, therefore, tuition revenue is recognized when it is received.

In 2016, the Organization decided to discontinue charging tuition fees beginning with the May 2016 class. Tuition payments received prior to this change were recorded as revenue when received.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

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

Program Services - include programs 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.

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

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objective evaluation of financial and nonfinancial data or reasonable subjective methods determined by management.

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 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance will have on its consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the consolidated results of activities or net assets as previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2017 and August 6, 2018, the date the financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 2 - 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 three donors that approximated 33% and 35% of total contributions for year ended December 31, 2017 and 2016.

NOTE 3 - INVENTORY

Inventory consists of the following as of December 31, 2017 and 2016:

	2017	2016
Raw materials	$ 22,207	$ 27,295
Finished goods	5,095	2,209
	$ 27,302	$ 29,504

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Leasehold improvements	$ 467,653	$ 446,653
Furniture and fixtures	61,825	61,825
Equipment	127,593	121,683
Vehicles	142,350	122,450
Construction in progress	28,594	-
	828,015	752,611
Less: accumulated depreciation	(446,904)	(417,492)
	$ 381,111	$ 335,119

Construction in progress at December 31, 2017 included an addition to the lodge for the Foundation. The Foundation incurred additional cost of approximately $28,000, and the lodge was completed in June 2018.

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, 2017 and 2016, 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, 2017 follows:

Year ending December 31,	
2018	$ 30,600
2019	30,600
2020	30,600
2021	30,600
2022	22,950
	$ 145,350

NOTE 5 - OPERATING LEASES (CONTINUED)

The Organization operates under a one-year lease at $2,600 per month for the Trading Co property which ran through July 2014, with an option to renew. The lease has continued on a month-to-month basis as the lessor and the Organization work to finalize an extension.

Total rent expense was approximately $61,800 for the year ended December 31, 2017 and 2016.

NOTE 6 - IN-KIND DONATIONS

The Organization received in-kind donations for the year ended December 31, 2017 and 2016 as follows:

	2017	2016
Facilities rental	$ 30,600	$ 30,600
Professional accounting services	12,000	12,000
Inventory	-	2,217
	$ 42,600	$ 44,817