RAISE THE ROOF ACADEMY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Raise the Roof Academy
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Raise the Roof Academy (the "Organization"), a not-for-profit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Raise the Roof Academy 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
March 2, 2020

RAISE THE ROOF ACADEMY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash	$ 151,357	$ 147,492
Investments	8,936	4,594
Property and equipment	289	868
Other assets	897	912
TOTAL ASSETS	$ 161,479	$ 153,866
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 392	$ 205
NET ASSETS		
Without donor restrictions	161,087	153,661
TOTAL NET ASSETS	161,087	153,661
TOTAL LIABILITIES AND NET ASSETS	$ 161,479	$ 153,866

See accompanying notes to financial statements.

RAISE THE ROOF ACADEMY

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018 Without Donor Restrictions	2017 Without Donor Restrictions
REVENUE AND SUPPORT		
Contributions	$ 835,647	$ 659,489
Investment income (loss), net	(210)	865
TOTAL SUPPORT AND REVENUE	835,437	660,354
EXPENSES		
Program Services:		
Ugandan operations	607,414	407,908
Mission trips	93,097	69,252
Supporting Services:		
Management and general	55,527	49,189
Fundraising	71,973	74,665
TOTAL EXPENSES	828,011	601,014
CHANGE IN NET ASSETS	7,426	59,340
NET ASSETS - BEGINNING OF YEAR	153,661	94,321
NET ASSETS - END OF YEAR	$ 161,087	$ 153,661

See accompanying notes to financial statements.

RAISE THE ROOF ACADEMY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,426	$ 59,340
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) loss on investments	358	(673)
Depreciation	579	579
Loss on disposal of property and equipment	-	4,066
(Increase) decrease in:		
Other assets	15	(158)
Increase (decrease) in:		
Accounts payable and accrued expenses	187	205
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,565	63,359
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,700)	(192)
NET CASH USED IN INVESTING ACTIVITIES	(4,700)	(192)
NET INCREASE IN CASH	3,865	63,167
CASH - BEGINNING OF YEAR	147,492	84,325
CASH - END OF YEAR	$ 151,357	$ 147,492

See accompanying notes to financial statements.

RAISE THE ROOF ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			
	Ugandan Operations	Mission Trips	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 23,730	$ -	$ 23,730	$ 23,729	$ 23,729	$ 47,458	$ 71,188
Payroll taxes	2,249	-	2,249	2,249	2,249	4,498	6,747
Total personnel costs	25,979	-	25,979	25,978	25,978	51,956	77,935
Grants to Ugandan partner organization	555,090	-	555,090	-	-	-	555,090
Merchant and bank fees	4,540	-	4,540	4,740	4,540	9,280	13,820
Miscellaneous	1,954	228	2,182	3,834	4,314	8,148	10,330
Professional fees	2,913	-	2,913	4,035	2,913	6,948	9,861
Rent	2,534	-	2,534	2,535	2,535	5,070	7,604
Special event	-	-	-	-	17,288	17,288	17,288
Supplies and other office expenses	14,179	-	14,179	14,179	14,179	28,358	42,537
Travel	225	92,869	93,094	226	226	452	93,546
Total other operating expenses	581,435	93,097	674,532	29,549	45,995	75,544	750,076
Total functional expenses	$ 607,414	$ 93,097	$ 700,511	$ 55,527	$ 71,973	$ 127,500	$ 828,011

See accompanying notes to financial statements.

RAISE THE ROOF ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			
	Ugandan Operations	Mission Trips	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 24,807	$ -	$ 24,807	$ 24,807	$ 24,807	$ 49,614	$ 74,421
Payroll taxes	1,887	-	1,887	1,887	1,887	3,774	5,661
Total personnel costs	26,694	-	26,694	26,694	26,694	53,388	80,082
Grants to Ugandan partner organization	360,431	-	360,431	-	-	-	360,431
Merchant and bank fees	3,671	-	3,671	3,671	3,671	7,342	11,013
Miscellaneous	1,683	1,107	2,790	1,703	7,341	9,044	11,834
Professional fees	4,258	-	4,258	5,950	4,258	10,208	14,466
Rent	1,405	-	1,405	1,405	1,405	2,810	4,215
Special event	-	-	-	-	21,530	21,530	21,530
Supplies and other office expenses	9,766	-	9,766	9,766	9,766	19,532	29,298
Travel	-	68,145	68,145	-	-	-	68,145
Total other operating expenses	381,214	69,252	450,466	22,495	47,971	70,466	520,932
Total functional expenses	$ 407,908	$ 69,252	$ 477,160	$ 49,189	$ 74,665	$ 123,854	$ 601,014

See accompanying notes to financial statements.

NOTE 1 - GENERAL

Raise the Roof Academy (the "Organization") is a not-for-profit corporation organized in 2007, under the laws of the State of California, to educate students by building relationships and education centers that cultivate a culture of learning and offer God's love through empowerment opportunities. Our vision is to become a premier education system in rural Uganda where children are learning and sharing their gifts with the world. The Organization also collaborates with Raise the Roof Academy LTD, a Ugandan non-governmental organization, to oversee the operations of the facility in Uganda.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Resources are classified as net assets with donor restrictions and net assets without donor restrictions, based on the existence or absence of donor-imposed restrictions, 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 the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. 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 did not have any net assets with donor restrictions at December 31, 2018 or 2017.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received, if applicable. Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

Cash

Cash consists principally of checking account balances. Cash and other short-term investments held in brokerage accounts are classified as investments.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at date of gift to the Organization. The Organization's policy is to capitalize purchases with a cost of $1,000 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, which is three years for property and equipment.

Investments

Investments are stated at fair value. Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Changes in unrealized gains and losses are reflected currently in the Statements of Activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

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

Program Services:

Ugandan Operations - The grants support 1,300 children in the education program (student tuition), medical clinic, specified building projects, and a sustainability program. The mission is to educate the whole student by building relationships and education centers that cultivate a culture of learning and offer God's love through empowerment opportunities. The vision is to become a premier education system in rural Uganda where children are learning and sharing their gifts with the world. Raise the Roof Academy students are living proof that education opens doors out of poverty, child labor, disease, and chaos. The students come from families who often live on less than $1 a day. The Ugandan non-governmental organization supported provides a free, high-quality education to girls and boys born in the most remote communities of Uganda who, due to poverty and social pressures, would otherwise be cut off from the promise of education.

Mission Trips – The Organization's mission trips are an opportunity for sponsors, and other interested persons, to travel to Uganda to meet their sponsored child and other students at Raise the Roof Academy. Mission trips also conduct special activities while there such as a community medical clinic, kid's camp, skills training, leadership training, income generating agricultural projects, and construction.

Supporting Services:

Management and General - relates to the overall direction of the agency. 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 agency. Specific activities include agency oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. The expenses that are allocated include personnel costs, merchant and bank fees, miscellaneous, professional fees, rent, supplies and other office expenses and travel expenses, which are allocated on the basis of estimates of time expended on those resources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization files a U.S. Federal Form 990 for organizations exempt from income tax.

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 financial statements.

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 requires all not-for-profit entities to present expenses by their natural and functional expense classification. The Organization has adjusted the presentation of these 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 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 adoption of this guidance is not expected to have a material impact on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, which amends the new lease guidance to add an optional transition practical expedient that permits an entity to continue applying its current accounting policy for land easements that exist or expire before the ASC 842 effective date. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by Accounting Standards Codification (“ASC”) 250-10-50-3 in the fiscal year in which an Organization adopts the new leases standard.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Organization expects to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2021, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Organization expects to elect all the practical expedients available.

The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements

Subsequent Events

The Organization has evaluated events and transactions that occurred between December 31, 2018 and March 2, 2020, the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of December 31, 2018 are as follows:

Financial assets at year end:	
Cash	$ 151,357
Investments	8,936
Financial assets available to meet general expenditures over the next twelve months	$ 160,293

NOTE 4 - CONCENTRATION 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 such accounts and management considers this to be a normal business risk.

NOTE 5 - INVESTMENTS

Investments consisted of the following at December 31:

	2018	2017
Cash	$ 340	$ 192
Equities	8,596	4,402
	$ 8,936	$ 4,594

NOTE 6 - FAIR VALUE MEASUREMENTS

The Organization classifies its investments measured at fair value based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available) and Level 3 (securities valued based on significant unobservable inputs). An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

Investments:

Equities - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded and are classified within Level 1 of the valuation hierarchy.

No changes in the valuation methodology have been made since the prior measurement date.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes financial assets measured at fair value on a recurring basis, segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31:

2018	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments measured at fair value:				
Equities:				
Consumer	$ 2,527	$ -	$ -	$ 2,527
Technology	1,517	-	-	1,517
Energy	4,552	-	-	4,552
Total investments measured at fair value	$ 8,596	$ -	$ -	$ 8,596

2017	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments measured at fair value:				
Equities:				
Consumer	$ 3,062	$ -	$ -	$ 3,062
Technology	1,340	-	-	1,340
Total investments measured at fair value	$ 4,402	$ -	$ -	$ 4,402

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Computer equipment	$ 1,736	$ 1,736
Less accumulated depreciation	(1,447)	(868)
	$ 289	$ 868

NOTE 8 - GRANTS

During the years ending December 31, 2018 and 2017, the Organization provided $555,090 and $360,431, respectively, in grants to Raise the Roof Academy LTD to assist in their education program (student tuition), medical clinic, specified building projects, and a sustainability program.

NOTE 9 - LEASES

The Organization leased office space under various operating leases on a month-to-month basis during the years presented. Rent expense relating to these facilities totaled $6,400 and $4,215 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Organization's board members may make substantial contributions to the Organization in support of its mission. During 2018 and 2017, the Organization received donations from board members totaling approximately $59,800 and $33,300, respectively.

Management of the Organization performs certain oversight functions for Raise the Roof Academy LTD and there is a family relationship between certain board members of the Organization and Raise the Roof Academy LTD.