

ROOTS AND WINGS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2022

With
Independent Auditor's Report thereon

ROOTS AND WINGS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Roots and Wings, Inc.
Delray Beach, Florida

Opinion

We have audited the accompanying financial statements of Roots and Wings, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roots and Wings, Inc. as of December 31, 2022, and changes in its net assets and its cash flows for the year 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. 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 Roots and Wings, Inc. 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 opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Roots and Wings Inc.'s ability to continue as a going concern within one year after the date that the 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 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 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Roots and Wings, Inc. 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Roots and Wings, Inc.'s 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.

Divine, Blalock, Martin & Sellari, LLC

DIVINE, BLALOCK, MARTIN & SELLARI, LLC

West Palm Beach, Florida

June 26, 2023

ROOTS AND WINGS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

ASSETS

Assets

Cash and cash equivalents	\$ 1,513,962
Prepaid expenses	8,612
Pledges receivable	<u>5,000</u>

Total current assets	<u>1,527,574</u>
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Total Assets	<u><u>\$ 1,527,574</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 5,491</u>
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Total Liabilities	<u>5,491</u>
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Net Assets

Without donor restrictions	1,018,416
With donor restrictions	<u>503,667</u>

Total Net Assets	<u>1,522,083</u>
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Total Liabilities and Net assets	<u><u>\$ 1,527,574</u></u>
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The accompanying notes are an integral part of these financial statements.

ROOTS AND WINGS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 410,214	\$ 155,857	\$ 566,071
Support grants	21,500	386,925	408,425
Contributions in kind	3,500	150,387	153,887
Interest and dividend income	5,148	-	5,148
Realized and unrealized gain on investment	3,753	-	3,753
Net assets released from restriction	537,920	(537,920)	-
Total Revenue and Support	982,035	155,249	1,137,284
Expenses			
Program expenses	537,920	-	537,920
Fundraising	500	-	500
Management and General	109,657	-	109,657
Total Expenses	648,077	-	648,077
Change in Net Assets	333,958	155,249	489,207
Net Assets, Beginning of Year	684,458	348,418	1,032,876
Net Assets, End of Year	<u>\$ 1,018,416</u>	<u>\$ 503,667</u>	<u>\$ 1,522,083</u>

The accompanying notes are an integral part of these financial statements.

ROOTS AND WINGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Expenses	Fundraising	Management and General	Total
Advertising	\$ -	\$ -	\$ 1,357	\$ 1,357
Bank & merchant fees	-	-	519	519
Charitable contribution	-	-	400	400
Consulting fees	8,595	479	28,340	37,414
Computer expenses	3,563	-	25,136	28,699
Conference and meetings	-	21	1,680	1,701
Dues and subscription	-	-	2,539	2,539
Employee benefits	-	-	636	636
Insurance	-	-	2,435	2,435
Legal and accounting	-	-	14,339	14,339
License & permits	-	-	369	369
Meals & entertainment	-	-	2,237	2,237
Office expense	-	-	1,979	1,979
Payroll taxes	4,238	-	1,576	5,814
Planning	-	-	5,255	5,255
Program - Project Uplift	301,666	-	-	301,666
Program - Above & Beyond	163,416	-	-	163,416
Salaries and wages	56,442	-	20,860	77,302
	<u>\$ 537,920</u>	<u>\$ 500</u>	<u>\$ 109,657</u>	<u>\$ 648,077</u>

The accompanying notes are an integral part of these financial statements.

ROOTS AND WINGS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities:

Change in net assets without donor restrictions	\$ 333,958
Change in net assets with donor restrictions	<u>155,249</u>

Total Change in Net Assets	489,207
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Adjustments to Reconcile Change in Net Assets to

Net Cash Provided by Operating Activities:

Realized and unrealized gain on investments, net	(162)
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Increase Decrease in Operating Activities:

Prepaid expenses	(8,612)
Pledges receivable	(5,000)
Accrued expenses	<u>(5,909)</u>

Net Cash Provided by Operating Activities	<u>469,524</u>
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Cash Flows From Investing Activities

Proceeds from sale of investments	<u>2,153</u>
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Net Cash Provided by Investing Activities	<u>2,153</u>
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Net increase in Cash and Cash Equivalents	471,677
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Cash and cash equivalents at beginning of year	<u>1,042,285</u>
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Cash and cash equivalents at end of year	<u><u>\$ 1,513,962</u></u>
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The accompanying notes are an integral part of these financial statements.

ROOTS AND WINGS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Roots and Wings, Inc., (the Organization) is organized as a 501(c) (3) not-for-profit corporation located in Delray Beach, FL established on June 7, 2016 in accordance with the laws of the State of Florida. The Organization has two major programs with the aim of helping teachers and students as follows: The Above and Beyond Awards honors teachers and staff chosen by their principals and peers who have gone above and beyond for their students; and Project UpLift which provides extra literacy help to elementary school students, identified by their teachers, in order to pass the year-end standardized reading test and advance to the next grade.

Basis of Accounting

The Organization's financial statements presented herein have been prepared on the accrual basis of accounting in accordance with *accounting* principles generally accepted in the United States of America.

Basis of Presentation

The Organization records unconditional promises to give (pledges) as contributions at fair value at the date the promises are received or made and distinguishes between promises received for each net asset category in accordance with donor restrictions, if any.

Net assets and revenue, expenses, gains and losses are classified as net assets with donor restrictions and net assets without donor restrictions based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets either not restricted by donors or the donor-imposed restrictions have expired.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time and net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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 revenues and expenses during the reporting period. The use of estimates includes, but are not limited to, amounts earned in the reporting period under grant contracts, the estimated value of in-kind services, the allocation of expenses among program and support categories, and useful lives of depreciable assets. Actual results could differ from those estimates.

ROOTS AND WINGS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents consist of non-interest-bearing demand deposit accounts and interest-bearing money market accounts. Cash equivalents are short term investments with a maturity date of three months or less from the date of purchase. The concentration of credit risk associated with cash and cash equivalents is considered low due to the credit quality of the financial institutions and the immediate availability of these financial instruments.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Realized gains and losses from security transactions are reported on the specific identification method based on the difference between the sales price of the security and its cost basis. Unrealized gains and losses are included in the accompanying Statements of Activities as increases or decreases in net assets.

Pledges Receivable

Pledges receivable represent unconditional promises to give support over a period of time. Unconditional promises to give are reported as an increase in net assets with or without donor restrictions, depending on the nature of the donor-imposed restriction, if any. The Foundation recognizes pledges receivable at estimated net realizable value for pledges due within one year. Pledges receivable that are expected to be collected in future years are recorded at the present value of their net realizable value. No allowance was deemed necessary for pledges receivable as they were deemed fully collectible by management.

Property and equipment

Property and equipment are stated at cost, if purchased, or if acquired by contribution, at estimated fair value on the date of contribution. Depreciation is provided for using the straight-line method over the five to ten year estimated useful lives of the assets. Office, computers, and medical equipment are generally assigned an estimated useful life of 5-years; office furniture is assigned a useful life of 7-years; and leasehold improvements are generally amortized over a 10-year period. Expenditures for furniture and equipment costing \$1,000 or more are capitalized; lesser amounts are expensed.

Revenue recognition

Financial support is provided by private sector grants, public donations, and gifts. Private grants and public contributions are recognized when received or when a donor or grantor makes an unconditional promise to give. Donor pledges are considered intent to give rather than an unconditional promise to give. Accordingly, pledges are not recognized as support at the time of the pledge. Contributions that contain donor stipulations that limit the use of an asset for specific purposes or designates the support for future periods, are reported as an increase in net assets with donor restrictions and net assets without donor restrictions depending upon the nature of the restriction.

ROOTS AND WINGS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

When a donor restriction expires, that is, when a stipulation time restriction ends or a purpose restriction is accomplished; net assets with donor restrictions are reclassified and reported in the statements of activities as net assets released from restrictions. Donor contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributions of long-lived assets (e.g., property and equipment) or contributions that the donor requires to be used to acquire long-lived assets are reported as net assets with donor restrictions. Roots and Wings reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time 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.

Contributions and Promises to Give

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered to be available for net assets without donor restrictions use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions and increases those net asset classes. When a net asset with donor restrictions expires, 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.

Unconditional promises to give are recognized as revenues in the period received and as expenses depending on the form of the benefits received. Conditional promises to give are recognized as revenues when received.

In-Kind Contributions and Donated Services

Donated services are recognized as contributions only if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers have donated their time and performed a variety of tasks throughout the year, but these services are not recognized as contributions in the financial statements since the recognition criteria were not met. Management estimates that the Organization received more than 2,800 volunteer hours for the years ended December 31, 2022.

Roots and Wings receives most of the in-kind contribution from individuals and corporate donors, which are recorded as in-kind support at estimated fair value. In accordance with the accounting policies set forth in Note A, the estimated fair value of the donated services rendered, restaurant catering services, and the rental value of donated facilities are recorded as in-kind support and expense in the accompanying statements of activities.

ROOTS AND WINGS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional classification of expenses

In the accompanying statements of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting activities. Program services are the activities that result in services being provided to members that fulfill the purposes or mission for which Roots and Wings exists. Supporting activities are all activities of organizations other than program services and are included in the financial statements as management and general expenses and fundraising expenses. Expenses are recorded in the period in which the obligation is incurred. Expenses are charges directly to program services or support activities based on specific identification, when possible. Indirect expenses are allocated among the programs and support categories based on the level of benefit received as measured by personnel time and facility usage associated with the activity or function.

Income Taxes

The Organization qualifies as a tax-exempt Organization, other than a private foundation, under Section 501(c) (3) of the Internal Revenue Code and therefore, has no provision for federal income taxes. The Organization qualifies as a public charity under the Internal Revenue Code.

The Organization files required income tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2018. The Organization has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year the Organization believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

Concentrations of credit and market risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash. The Organization maintains its cash and cash equivalents in Truist bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At December 31, 2022, the Organization had approximately \$1,268,342 in excess insured limits.

Recent Accounting Pronouncements

The FASB has issued the following accounting standards updates that may affect the Organization in future years. Management is evaluating the effects, if any, of the following updates:

- *ASU 2016-09 (Leases)*- Effective January 1, 2022, the Company adopted the new lease standard. At December 31, 2022 the Company had no lease agreements in place. The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

ROOTS AND WINGS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

- *1ASU 2020-07, (Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets)* - Effective January 1, 2022, the Company adopted ASU 2020-07 – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial assets. At December 31, 2022 the Company had no contribution of nonfinancial assets.

NOTE B – FAIR VALUE MEASUREMENTS

The Organization uses a three-tier hierarchy established by the FASB ASC to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1:** *Quoted prices in active markets for identical investments.*
- Level 2:** *Other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.)*
- Level 3:** *Significant unobservable inputs (including the Organization's own assumption in determining the fair value of investments).*

The fair value measurement of an asset or liability 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The certificates of deposit and treasury bills are recorded in the statement of financial position are categorized based on the inputs to the valuation technique and are at quoted prices in active markets for identical assets, Level 1 assets.

NOTE D – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and support when received or promised. These contributions are considered unconditional promises to give which is a promise to give that depends only on the passage of time or demand by the promise for performance. Unconditional promises to give that are due beyond one year have been measured using the net present value of future cash flows based on a discount rate of 3%. For the year ended December 31, 2022 no discount for future payments has been recorded as the calculated amount was immaterial. The allowance for uncollectible pledges is based on management's estimate of uncollectible amounts in the future. As of December 31, 2022, management determined no allowance for uncollectible pledges was needed. At December 31, 2022 unconditional promises to give was \$5,000.

ROOTS AND WINGS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE E – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are for the purposes of the Above and Beyond and Project UpLift programs. As of December 31, 2022 net assets with donor restrictions were \$576,505.

NOTE F – LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditures within one year of the statement of financial position date.

Financial assets:

Cash and cash equivalents	\$ 1,513,962
Pledges receivable	<u>5,000</u>
Total Financial assets, at year end	1,518,962
Less those unavailable for general expenditures within one year due to:	
Donor restricted	<u>(503,667)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,015,295</u></u>

NOTE G – COMMITMENTS AND CONTINGENCIES

Certain grant provisions include compliance audits. No audits are currently in process.

NOTE H – SUBSEQUENT EVENTS

In the normal course of preparing the Organization's financial statements, management reviews events that occur after the statement of financial position date, December 31, 2022, for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through June 26, 2023, which is the date the financial statements were available to be issued.