

Roots and Wings Foundation, a New Jersey Nonprofit Corporation

Financial Statements

December 31, 2020

(With Comparative Totals For 2019)



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Roots and Wings Foundation, a New Jersey Nonprofit Corporation
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December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Trustees of the
Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Denville, NJ 07834

Report on Financial Statements

We have audited the accompanying financial statements of Roots and Wings Foundation, a New Jersey Nonprofit Corporation (the "Foundation"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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.

To the Board of Trustees of the
Roots and Wings Foundation,
A New Jersey Nonprofit Corporation

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roots and Wings Foundation, a New Jersey Nonprofit Corporation as of December 31, 2020, and the 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Roots and Wings Foundation, a New Jersey Nonprofit Corporation's 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisiroccia LLP

July 1, 2021
Mt. Arlington, New Jersey

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Statement of Financial Position
December 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Cash	\$ 1,140,060	\$ 1,244,861
Cash - restricted custodial funds	2,453	9,243
Contributions receivable	10,135	
Grants receivable		22,726
Pledges receivable	40,000	
Prepaid expenses	15,254	4,529
Security deposits	26,698	21,715
Gift cards	7,582	5,090
Property and equipment, net	473,115	490,821
Intangible asset, net	3,660	12,635
 Total assets	 \$ 1,718,957	 \$ 1,811,620
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 4,620	\$ 32,483
Accrued expenses	26,030	23,438
Custodial funds payable	2,453	9,243
Deferred revenue		25,000
Refundable advance	92,380	
Other liabilities	5,209	35,275
Total liabilities	130,692	125,439
 Net assets without donor restrictions:		
Undesignated	1,178,265	1,250,990
Designated by the Board for general operations	400,000	400,000
	1,578,265	1,650,990
 Net assets with donor restrictions:		
Purchase of permanent housing	10,000	10,000
Program expenses		25,191
	10,000	35,191
 Total net assets	 1,588,265	 1,686,181
 Total liabilities and net assets	 \$ 1,718,957	 \$ 1,811,620

See Notes to Financial Statements

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Statement of Activities
For the Year Ended December 31, 2020
(With comparative summarized totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Revenue and support:				
Fundraising, net	\$ 241,731		\$ 241,731	\$ 422,780
Private foundation & grant income	306,499		306,499	239,733
Morris County ESG Grant	15,916		15,916	
Morris County CDBG Grant				56,694
Union County CDBG Grant	6,000		6,000	
Donations	258,593		258,593	247,716
In-kind donation of services	15,375		15,375	23,820
In-kind donation of goods	13,753		13,753	
Rental income	53,609		53,609	57,061
Economic Injury Disaster Loan				
Emergency Advance	8,000		8,000	
Interest income	4,284		4,284	8,651
Investment income	943		943	
Net assets released from restriction	25,191	\$ (25,191)		
Total revenue and support	949,894	(25,191)	924,703	1,056,455
Expenses:				
Program services:				
Youth support	609,995		609,995	618,974
Youth housing	231,291		231,291	256,072
Total program services	841,286		841,286	875,046
Supporting services:				
Management and general	82,271		82,271	79,136
Fundraising	99,062		99,062	51,648
Total supporting services	181,333		181,333	130,784
Total expenses	1,022,619		1,022,619	1,005,830
Change in net assets	(72,725)	(25,191)	(97,916)	50,625
Net assets, beginning of year	1,650,990	35,191	1,686,181	1,635,556
Net assets, end of year	\$ 1,578,265	\$ 10,000	\$ 1,588,265	\$ 1,686,181

See Notes to Financial Statements

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With comparative summarized totals for 2019)

	Program Services			Supporting Services			Total	
	Youth Support	Youth Housing	Total	Management and General	Fundraising	Total	2020	2019
Salaries	\$ 295,631		\$ 295,631	\$ 26,531	\$ 56,852	\$ 83,383	\$ 379,014	\$ 362,523
Payroll taxes and employee benefits	57,870		57,870	6,012	11,273	17,285	75,155	54,671
Total personnel services	353,501		353,501	32,543	68,125	100,668	454,169	417,194
Rent and occupancy		\$ 231,291	231,291				231,291	256,072
Building expense	40,831		40,831	4,804	2,402	7,206	48,037	58,797
Advertising	982		982	980	982	1,962	2,944	1,101
Insurance	18,474		18,474	6,415	770	7,185	25,659	23,443
Training	4,581		4,581	4,575		4,575	9,156	29,546
Travel and meeting expenses	3,021		3,021	387		387	3,408	11,206
Client support	65,507		65,507				65,507	96,724
Community education and outreach	30		30				30	132
Professional fees	78,262		78,262	19,898	14,400	34,298	112,560	46,788
Office expense	20,819		20,819	10,411	10,408	20,819	41,638	39,342
Total expenses before depreciation and amortization	586,008	231,291	817,299	80,013	97,087	177,100	994,399	980,345
Depreciation and amortization	23,987		23,987	2,258	1,975	4,233	28,220	25,485
Total expenses	<u>\$ 609,995</u>	<u>\$ 231,291</u>	<u>\$ 841,286</u>	<u>\$ 82,271</u>	<u>\$ 99,062</u>	<u>\$ 181,333</u>	<u>\$ 1,022,619</u>	<u>\$ 1,005,830</u>

See Notes to Financial Statements

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Statement of Cash Flows
For the Years Ended December 31, 2020 and 2019

	Total	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (97,916)	\$ 50,625
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,245	15,427
Amortization	8,975	10,058
Donated securities	(10,111)	
Realized gain	(943)	
Changes in operating assets and liabilities:		
Contributions receivable	(10,135)	8,076
Grants receivable	22,726	24,382
Pledges receivable	(40,000)	
Prepaid expenses	(10,725)	1,504
Security deposits	(4,983)	(2,519)
Gift cards	(2,492)	(2,640)
Accounts payable	(27,863)	19,273
Accrued expenses	2,592	(10,771)
Custodial funds payable	(6,790)	4,103
Deferred revenue	(25,000)	25,000
Refundable advance	92,380	
Other liabilities	(30,066)	33,376
Net cash provided by (used in) operating activities	<u>(121,106)</u>	<u>175,894</u>
Cash flows from investing activities:		
Purchase of equipment	(1,539)	(51,943)
Proceeds from sale of investments	11,054	
Net cash provided by (used in) investing activities	<u>9,515</u>	<u>(51,943)</u>
Net increase (decrease) in cash and restricted cash	(111,591)	123,951
Cash and restricted cash, beginning of year	<u>1,254,104</u>	<u>1,130,153</u>
Cash and restricted cash, end of year	<u>\$ 1,142,513</u>	<u>\$ 1,254,104</u>
Supplemental disclosures of noncash activity:		
Donated investment securities received	<u>\$ 10,111</u>	<u>\$</u>
In-kind donation of goods	<u>\$ 13,753</u>	<u>\$</u>
In-kind donation of services	<u>\$ 15,375</u>	<u>\$ 23,820</u>

See Notes to Financial Statements

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Activities

Roots and Wings Foundation, a New Jersey Nonprofit Corporation (the "Foundation"), formed in 1999, is a nonprofit organization that provides young adults who age out of the foster care system in New Jersey with safe housing, education, counseling, and life skills in order to empower them towards self sufficiency.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies followed by the Foundation in the preparation of the accompanying financial statements is set forth below:

The Foundation prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), *Accounting for Contributions Received and Made, and Presentation of Financial Statements of Not-for-Profit Entities*. *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions are resources representing the portion of expendable funds available for support of the Foundation's programs and activities. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees. Board designated net assets amounted to \$400,000 at December 31, 2020 and 2019, to be used as a reserve in the event the Foundation has difficulty meeting cash flow needs.

Net Assets with Donor Restrictions are 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 Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions.

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Notes to Financial Statements
December 31, 2020 and 2019

When a restriction 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. The Foundation had net assets with donor restrictions in the amount of \$10,000 and \$35,191 at December 31, 2020 and 2019, respectively.

Revenue and Support Recognition

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been substantially met.

A portion of the Foundation's revenue is derived from cost-reimbursable county contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Revenue is measured based on consideration specified in a contract with a customer. This occurs with the transfer of control at a specific point in time. The Foundation recognizes fundraising and special event revenue at the time the event occurs. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place. There are no multi-year contracts and performance obligations are typically satisfied within one year or less. Amounts billed for future services are reported as deferred revenue in the statement of financial position.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied		
at a point in time	<u>\$ 241,731</u>	<u>\$ 422,780</u>
	<u>\$ 241,731</u>	<u>\$ 422,780</u>

Revenue from performance obligations satisfied at a point in time is comprised of fundraising and special events income.

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Notes to Financial Statements
December 31, 2020 and 2019

Cash and Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the sum of the corresponding amount within the statement of cash flow:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,140,060	\$ 1,244,861
Restricted cash - custodial funds	2,453	9,243
Total	<u>\$ 1,142,513</u>	<u>\$ 1,254,104</u>

Contributions, Grants, and Pledges Receivable and Allowance for Doubtful Accounts

Contributions, grants, and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Write offs are determined on a case by case basis. There was no allowance for uncollectible accounts established as of December 31, 2020 and 2019, since management believes all receivables will be collected in the normal course of operations.

Property and Equipment

Property and equipment is recorded at cost when purchased or at fair value at date of gift, when donated. Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to net assets without donor restrictions, or, if with donor restrictions, to deferred amounts restricted for fixed asset acquisitions. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, minor repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized.

In accordance with FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Foundation periodically evaluates property and equipment for impairment, relying on a number of factors including operating results, and future business plans. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to estimated future recoverability of the carrying amount of the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. There were no impairment losses charged to operations for the years ended December 31, 2020 and 2019.

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
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Intangible Assets

In accordance with FASB ASC, *Intangibles - Goodwill and Other - Internal-Use Software*, internal and external costs incurred during the application development stage to develop computer software solely to meet the Foundation's internal needs are capitalized. Costs incurred during the preliminary project stage and post-implementation/operation stage are expensed as incurred. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to each program based on estimates made by management. Program expenses are those related to client assistance activities. Management and general expenses relate to supporting expenses associated with those programs and are allocated based on estimates of time and effort considered by management to be reasonable. Fundraising expenses include the direct costs of special events and the allocation of employees' salaries and other costs involved in fundraising and special events based on methods considered by management to be reasonable.

Income Taxes

The Foundation is an organization described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from federal income taxes under Section 501(a) of the Code. The Foundation is also exempt under Title 15 of the State of *New Jersey Corporations and Associations Not for Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements.

The Foundation follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition related to those tax positions.

The Foundation does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2020. However, the Foundation is subject to regular audit by tax authorities. The Foundation believes that it has appropriate support for the positions taken on its tax returns and has determined that there are no uncertain tax positions as of the year ended December 31, 2020.

Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Foundation files informational returns with the United States federal and New Jersey and New York state jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, Form CRI-300R with the State of New Jersey, and Form CHAR-500 with the State of New York. These returns are subject to examination by these authorities within certain statutorily defined periods established by the respective jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenue and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Foundation's estimates may change in the near term.

Fair Value Measurements

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The measurement of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Foundation is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
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Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The 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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Cash, contributions receivable, grants receivable, pledges receivable, prepaid expenses, security deposits, gift cards, accounts payable, accrued expenses, custodial funds payable, deferred revenue and other liabilities: the carrying amounts approximate fair value because of the short-term maturity of these instruments.

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Refundable advance: The Paycheck Protection Program advance, a government grant which may be forgiven or converted to a loan at a future point in time and which imputed interest does not apply, is carried at cost. However, management believes the Foundation will receive full forgiveness of the Paycheck Protection Program advance and, therefore, the Foundation has determined it approximates fair value.

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

Investments

The Foundation records investments in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, securities purchased for investment are carried at market value; those received as gifts are recorded at market value at date of gift and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest and dividends) and gains/losses on sale of investments are included in the statement of activities unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended December 31, 2020 and 2019, the Foundation did not record any impairment charge in the statement of activities.

Vacation Pay Accrual

The Foundation's policy regarding accrued vacation is to allow employees to carry forward up to five vacation days into the following year. The Foundation calculates unused vacation days as of the end of the calendar year, December 31st. All unused time must be utilized by March 31st of the following year or it will be forfeited. As of December 31, 2020 and 2019, the accrued vacation liability was \$2,269 and \$1,777, respectively, and is included in accrued expenses on the statement of financial position.

Deferred Revenue

Deferred revenue is comprised of amounts received in advance of services being performed which will be recognized as income in future periods when the services are rendered. As of December 31, 2020 and 2019, deferred revenue was \$0 and \$25,000, respectively.

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
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Advertising

The Foundation expenses the costs of advertising the first time advertising takes place. The Foundation incurred \$2,944 and \$1,101 in advertising expenses for the years ended December 31, 2020 and 2019, respectively.

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of the Foundation. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles.

In-Kind Donations

The Foundation has early adopted the provisions of ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The FASB ASU requires nonprofits to present contribution nonfinancial assets as a separate line items in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements, their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind.

The Foundation often receives donations designated to assist the purpose and mission of the Foundation. Donations usually are comprised of consulting services, gift cards and program supplies, which are received throughout the year. For the years ended December 31, 2020 and 2019, in-kind donations amounted to \$29,128 and \$23,820, respectively.

In-kind donations are reflected as contributions at their fair value on the date of the donation and are reported as support without donor restriction unless explicit donor stipulation specify how donated assets must be used. The Foundation benefited from donated goods which amounted to \$13,753 and \$0 and have been reported as in-kind revenue and expense on the statements of activities and functional expenses for the years ended December 31, 2020 and 2019, respectively. Donated services in the amount of \$15,375 and \$23,820 have been reported as in-kind revenue and expense on the statements of activities and functional expenses for the years ended December 31, 2020 and 2019, respectively. The Foundation also received donated securities in the amount of \$10,111 for the year ended December 31, 2020.

New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Foundation is currently evaluating the impact of the adoption of this guidance on the Foundation's financial statements.

Roots and Wings Foundation, a New Jersey Nonprofit Corporation
Notes to Financial Statements
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Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information with respect to the statements of activities and functional expenses. The statement of activities includes certain prior year summarized comparative information in total, but not by net asset class. The statement of functional expenses includes comparative prior year expenses in total, but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Reclassification

Certain prior period account balances have been reclassified to conform to current year presentation.

3. Liquidity and Availability

The adoption of FASB Update No. 2016-14 requires the presentation of qualitative information on how the Foundation manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements.

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 1,140,060	\$ 1,244,861
Contributions receivable	10,135	
Grants receivable		22,726
Pledges receivable	<u>40,000</u>	
Total financial assets	<u>1,190,195</u>	<u>1,267,587</u>
Less amounts not available to be used within one year:		
Board-designated funds for special projects	400,000	400,000
Net assets with donor restrictions	<u>10,000</u>	<u>35,191</u>
	<u>410,000</u>	<u>435,191</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 780,195</u>	<u>\$ 832,396</u>

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The Foundation has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$260,000. In addition to these financial assets, a significant portion of the Foundation's annual expenditures will be funded by current year operating revenues including fundraising, private foundation and grant income, and donations. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation also has a \$25,000 line of credit available to meet cash flow needs. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution as well.

4. Investments

Investments are stated at fair value, based on quoted market prices. It is the Foundation's policy to liquidate donated securities immediately upon receipt.

Investments at December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Beginning balance	\$ -	\$ -
Donated securities	10,111	
Sales	(11,054)	
Realized gain	943	
Ending balance	<u>\$ -</u>	<u>\$ -</u>

5. Property and Equipment

Property and equipment and their related estimated useful lives at December 31, 2020 and 2019 are comprised of the following:

	Estimated Useful Life (Years)	December 31,	
		2020	2019
Land		\$ 180,800	\$ 180,800
Building	39	311,280	311,280
Building improvements	10	52,184	52,184
Furniture and fixtures	7	15,278	15,278
Vehicles	5	23,550	23,550
Computers	5	7,058	5,519
		590,150	588,611
Less: accumulated depreciation		(117,035)	(97,790)
		<u>\$ 473,115</u>	<u>\$ 490,821</u>

Depreciation expense charged to operations for the years ended December 31, 2020 and 2019 totaled \$19,245 and \$15,427, respectively.

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6. Intangibles

Intangibles and their related estimated useful lives at December 31, 2020 and 2019 are comprised of the following:

	Estimated Useful Life (Years)	2020	2019
Computer software	3	\$ 30,175	\$ 30,175
Less: accumulated amortization		(26,515)	(17,540)
		<u>\$ 3,660</u>	<u>\$ 12,635</u>

Amortization expense charged to operations for the years ended December 31, 2020 and 2019 totaled \$8,975 and \$10,058, respectively.

7. Custodial Funds

The custodial funds account represents the fee money held by the Foundation on behalf of its program participants. The participants that are being served are required to pay a fee to the Foundation. These fees are accumulated on behalf of the participants and are returned back to them at the end of their program term. This assists the participants in getting used to paying bills and gives them an amount to begin their independent life after the program. The Foundation's policy is to recognize a liability until the money is distributed back to the participant, at which time the liability is removed from the Foundation's books. The Foundation has discontinued the use of custodial funds in 2021 and will no longer hold money on behalf of its program participants.

8. Line of Credit

The Foundation has a line of credit with TD Bank in the amount of \$25,000. The interest rate on this line of credit is subject to change from time to time based on an independent index, the Wall Street Journal Prime, which is added to the margin of 3%. The index currently is 3.25% per annum. The revolving line of credit will be reviewed annually, and renewal is at the sole discretion of the bank. The line of credit was renewed for an additional year and is set to expire on March 31, 2022. There were no borrowings made during 2020 and 2019, nor were there any amounts outstanding against the line of credit at December 31, 2020 and 2019.

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9. Leases

The Foundation leases nine apartments for its youth housing program. These various leases have one to two-year terms expiring through October 2021. The Foundation also leases office equipment under various leases expiring through September 2024. Minimum future rental payments are as follows:

Year Ended December 31,	Amount
2021	\$ 103,310
2022	4,680
2023	4,680
2024	3,120
	\$ 115,790

Total rental expense charged to operations for the years ended December 31, 2020 and 2019, was \$196,562 and \$198,145, respectively. In addition to rent, the Foundation is responsible for the payment of the utilities associated with these apartments.

10. Other Income

The Foundation entered into a four-year lease renewal agreement with the State of New Jersey to rent out office space in 2018. The lease renewal requires the State of New Jersey to make monthly payments of \$3,959 and is set to expire January 31, 2022. Future rental income is as follows:

Year Ended December 31,	Amount
2021	\$ 47,508
2022	3,959
	\$ 51,467

Rental income amounted to \$53,609 and \$57,061, respectively for the years ended December 31, 2020 and 2019.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

	2020	2019
Purchase of permanent housing	\$ 10,000	\$ 10,000
Program expenses		25,191
	\$ 10,000	\$ 35,191

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Net assets released from donor restrictions by incurring expenses satisfying the specified restrictions placed by donors amounted to \$25,191 and \$25,259 for the years ended December 31, 2020 and 2019, respectively.

12. Pledges Receivable

Pledges receivable as of December 31, 2020 and 2019 are as follows:

	2020	2019
One year or less	\$ 10,000	\$
One to five years	30,000	
Total	<u>\$ 40,000</u>	<u>\$ -</u>

Calculation of discount on pledges receivable was deemed immaterial and is not reflected in the pledges receivable balance at December 31, 2020.

13. Fundraising

The Foundation held several fundraising events during the years ended December 31, 2020 and 2019. The gross receipts from these events totaled \$281,560 and \$512,480 for 2020 and 2019, respectively. Direct expenses consisting of raffle tickets, facility costs, and other related expenses totaled \$39,829 and \$89,700 for 2020 and 2019, respectively, leaving net proceeds of \$241,731 and \$422,780 for 2020 and 2019, respectively.

14. Risks, Uncertainties and Funding Dependence

The Foundation maintains its cash in bank deposit accounts, which, from time to time, has exceeded federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash. Funding for the Foundation comes from private foundations and grants, fundraising, donations, rental income and government sources. Approximately 14% of the funding for the Foundation came from one donor. There is no guarantee that such funding will continue. Additionally, some net asset balances are dependent upon approval of disbursement monies by the granting agencies.

The COVID-19 coronavirus outbreak has caused business disruption through government mandated and voluntary closings and has contributed to significant declines and volatility in financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Foundation recognizes that this matter may have an impact on its future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

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15. Refundable Advance – Paycheck Protection Program and EIDL Advance

In April 2020, the Foundation applied and received an Economic Injury Disaster Loan (EIDL) Emergency Advance in the amount of \$8,000. The EIDL program is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to Coronavirus (COVID-19). The EIDL Advance does not have to be repaid.

In April 2020, the Foundation received \$92,380 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Foundation must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Foundation has accounted for the PPP funding as a conditional contribution in the financial statements by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized only when conditions are met. PPP funding is subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The PPP funding of \$92,380 is recognized as a refundable advance as of December 31, 2020, as the conditions have not been met.

16. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2020 through the date of the independent auditors' report and the date the financial statements were available to be issued on July 1, 2021. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

In February 2021, the Foundation was approved and received a second draw of funding in the amount of \$73,217 under the Paycheck Protection Program which was created by The Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by the United States of America Congress. Certain amounts may be forgiven if the Foundation utilizes these funds in accordance with guidelines outlined under the program. Management is currently evaluating the use of these funds; therefore, the related financial impact and potential amount expected to be repaid, if any, cannot be reasonably estimated at this time.

In April 2021, the Foundation received full forgiveness of the PPP funding for forgiveness in the amount of \$92,380.