ROOTS & WINGS FOUNDATION
Financial Statements
December 31, 2022 and 2021
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Roots & Wings Foundation
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December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Roots & Wings Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Roots & Wings Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Roots & Wings Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 the Foundation 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 the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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 the Foundation's ability to continue as a going concern for 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 GAAS and *Government 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 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 GAAS and *Government 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 the Foundation's 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 the Foundation'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

September 28, 2023

Roots & Wings Foundation
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash	$ 1,442,661	$ 1,434,574
Contributions receivable	13,630	-
Grants receivable	12,500	12,000
Pledges receivable	20,000	30,000
Prepaid expenses	13,462	24,954
Security deposits	20,811	23,202
Gift cards	3,079	9,328
Property and equipment, net	446,272	461,211
Operating right-of-use asset, net	8,119	-
Intangible assets, net	24,250	11,000
Total assets	$ 2,004,784	$ 2,006,269
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 3,741	$ 19,103
Accrued expenses	28,693	23,888
Lease liability - operating	8,119	-
Other liabilities	4,018	17,668
Total liabilities	44,571	60,659
Net assets without donor restrictions		
Undesignated	1,514,048	1,524,610
Designated by the board for general operations	400,000	400,000
Total net assets without donor restrictions	1,914,048	1,924,610
Net assets with donor restrictions	46,165	21,000
Total net assets	1,960,213	1,945,610
Total liabilities and net assets	$ 2,004,784	$ 2,006,269

The Notes to Financial Statements are an integral part of these statements.

Roots & Wings Foundation
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and support			
Fundraising, net of direct donor costs	$ 335,937	$ -	$ 335,937
Private foundation and grant income	277,288	36,165	313,453
Morris and Union County grant income	126,395	-	126,395
Contributions of cash and other financial assets	136,986	-	136,986
Contributions of nonfinancial assets	46,953	-	46,953
Lease income	54,825	-	54,825
Interest income	3,573	-	3,573
Investment return	(78)	-	(78)
Net assets released from restrictions	11,000	(11,000)	-
Total revenue and support	992,879	25,165	1,018,044
Expenses			
Program services			
Youth support	561,211	-	561,211
Youth housing	237,302	-	237,302
Total program services	798,513	-	798,513
Supporting services			
Management and general	84,634	-	84,634
Fundraising	120,294	-	120,294
Total supporting services	204,928	-	204,928
Total expenses	1,003,441	-	1,003,441
Changes in net assets	(10,562)	25,165	14,603
Net assets			
Beginning of year	1,924,610	21,000	1,945,610
End of year	$ 1,914,048	$ 46,165	$ 1,960,213

The Notes to Financial Statements are an integral part of this statement.

Roots & Wings Foundation
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and support			
Fundraising, net of direct donor costs	$ 426,077	$ -	$ 426,077
Private foundation and grant income	152,284	216,250	368,534
Morris and Union County grant income	11,800	97,000	108,800
Contributions of cash and other financial assets	194,578	-	194,578
Contributions of nonfinancial assets	54,062	-	54,062
Rental income	53,013	-	53,013
Forgiveness of Paycheck Protection Program loans	165,597	-	165,597
Interest income	1,858	-	1,858
Other income	1,133	-	1,133
Investment loss	(134)	-	(134)
Net assets released from restrictions	302,250	(302,250)	-
Total revenue and support	1,362,518	11,000	1,373,518
Expenses			
Program services			
Youth support	575,729	-	575,729
Youth housing	248,147	-	248,147
Total program services	823,876	-	823,876
Supporting services			
Management and general	88,277	-	88,277
Fundraising	104,020	-	104,020
Total supporting services	192,297	-	192,297
Total expenses	1,016,173	-	1,016,173
Changes in net assets	346,345	11,000	357,345
Net assets			
Beginning of year	1,578,265	10,000	1,588,265
End of year	$ 1,924,610	$ 21,000	$ 1,945,610

The Notes to Financial Statements are an integral part of this statement.

Roots & Wings Foundation
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Supporting Services			
	Youth Support	**Youth Housing**	**Total**	**Management and General**	**Fundraising**	**Total**	**Total Expenses**
Salaries	$ 300,339	$ -	$ 300,339	$ 26,954	$ 57,757	$ 84,711	$ 385,050
Payroll taxes and employee benefits	39,470	-	39,470	4,100	7,689	11,789	51,259
Total personnel services	339,809	-	339,809	31,054	65,446	96,500	436,309
Lease and occupancy	-	237,302	237,302	-	-	-	237,302
Building expense	44,153	-	44,153	5,195	2,597	7,792	51,945
Insurance	20,059	-	20,059	6,965	837	7,802	27,861
Training	8,348	-	8,348	8,337	-	8,337	16,685
Travel and meeting expenses	6,446	-	6,446	826	-	826	7,272
Client support	54,817	-	54,817	-	-	-	54,817
Professional fees	50,622	-	50,622	19,996	10,585	30,581	81,203
Office expense	14,436	-	14,436	7,219	7,217	14,436	28,872
Special events	-	-	-	-	115,014	115,014	115,014
Advertising expenses	3,343	-	3,343	3,237	3,244	6,481	9,824
Depreciation and amortization	19,178	-	19,178	1,805	1,579	3,384	22,562
Total	221,402	237,302	458,704	53,580	141,073	194,653	653,357
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	(86,225)	(86,225)	(86,225)
Total expenses	$ 561,211	$ 237,302	$ 798,513	$ 84,634	$ 120,294	$ 204,928	$ 1,003,441

The Notes to Financial Statements are an integral part of this statement.

Roots & Wings Foundation
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Supporting Services			
	Youth Support	Youth Housing	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 319,766	$ -	$ 319,766	$ 28,697	$ 61,493	$ 90,190	$ 409,956
Payroll taxes and employee benefits	43,943	-	43,943	4,565	8,560	13,125	57,068
Total personnel services	363,709	-	363,709	33,262	70,053	103,315	467,024
Rent and occupancy	-	248,147	248,147	-	-	-	248,147
Building expense	42,200	-	42,200	4,965	2,483	7,448	49,648
Insurance	18,676	-	18,676	6,485	779	7,264	25,940
Training	5,117	-	5,117	5,110	-	5,110	10,227
Travel and meeting expenses	3,887	-	3,887	498	-	498	4,385
Client support	51,844	-	51,844	-	-	-	51,844
Professional fees	34,331	-	34,331	23,369	16,316	39,685	74,016
Office expense	21,759	-	21,759	10,881	10,878	21,759	43,518
Special events	15,021	-	15,021	-	40,596	40,596	55,617
Advertising expenses	2,175	-	2,175	2,106	2,110	4,216	6,391
In-kind expense nonfinancial assets	-	-	-	-	-	-	-
Depreciation and amortization	17,010	-	17,010	1,601	1,401	3,002	20,012
Total	212,020	248,147	460,167	55,015	74,563	129,578	589,745
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	(40,596)	(40,596)	(40,596)
Total expenses	$ 575,729	$ 248,147	$ 823,876	$ 88,277	$ 104,020	$ 192,297	$ 1,016,173

The Notes to Financial Statements are an integral part of this statement.

Roots & Wings Foundation
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

		2022		2021
Operating activities				
Changes in net assets	$	14,603	$	357,345
Adjustments to reconcile changes in net assets to net cash provided by operating activities				
Depreciation		20,462		16,352
Amortization		2,100		3,660
Amortization of right-of-use asset - operating		4,574		-
Forgiveness of Paycheck Protection Program loans		-		(165,597)
Donated securities		(5,010)		(10,080)
Realized loss on donated securities		78		134
Changes in operating assets and liabilities				
Contributions receivable		(13,630)		10,135
Grants receivable		(500)		(12,000)
Pledges receivable		10,000		10,000
Prepaid expenses		11,492		(9,700)
Security deposits		2,391		3,496
Gift cards		6,249		(1,746)
Accounts payable		(15,362)		14,483
Accrued expenses		4,805		(2,142)
Custodial funds payable		-		(2,453)
Lease liability - operating		(4,574)		-
Other liabilities		(13,650)		12,459
Net cash provided by operating activities		24,028		224,346
Investing activities				
Purchase of equipment		(5,523)		(4,448)
Website redevelopment		(15,350)		(11,000)
Proceeds from sale of investments		4,932		9,946
Net cash used in investing activities		(15,941)		(5,502)
Financing activity				
Proceeds from Paycheck Protection Program loan payable		-		73,217
Net cash provided by financing activity		-		73,217
Net change in cash		8,087		292,061
Cash				
Beginning of year		1,434,574		1,142,513
End of year	$	1,442,661	$	1,434,574
Supplemental disclosure of cash flow information				
Noncash investing and financing activity				
Donated investment securities	$	5,010	$	10,080

The Notes to Financial Statements are an integral part of these statements.

1. NATURE OF ACTIVITIES

Roots & Wings Foundation (the “Foundation’), a New Jersey nonprofit corporation, 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, emotional support, life skills, and practical opportunities; inspiring them to rise toward their greatest potential.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, gains and losses are classified based on existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that 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 as of both December 31, 2022 and 2021, which is to be used as a reserve in the event the Foundation has difficulty meeting cash flow needs.

Net assets with donor restrictions: Net assets that are 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Foundation had net assets with donor restrictions in the amount of $46,165 and $21,000 as of December 31, 2022 and 2021, respectively.

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.

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 statements of financial position.

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions and increases in net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increases in net assets without donor restrictions. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

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. Any event or services revenue received in advance of the event or services being performed is recorded as deferred revenue. The Foundation did not have any contract assets or liabilities as of January 1, 2021.

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, 2022 and 2021, since management believes all receivables will be collected in the normal course of operations.

Property and Equipment
Property and equipment are recorded at cost when purchased or at fair value at the 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 as a reduction to net assets. Major renewals and improvements are capitalized.

Leases
Effective January 1, 2022, the Foundation accounts for leases with a term greater than 12 months in accordance with Accounting Standards Codification ("ASC") 842. In accordance with ASC 842, the Foundation determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use asset and lease liability at the lease commencement date. Contract terms determine if a lease will be accounted for as an operating lease or finance lease. Finance leases are generally those leases that allow the Foundation to substantially utilize or pay for the entire asset over its estimated useful life. All other leases are categorized as operating leases. The Foundation has no financing leases. Based on the lease contracts, nonlease components are separated and recorded as other liabilities, as applicable. As a result, the nonlease components are not included in the lease calculation. The lease terms used to calculate the right-of-use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option.

The Foundation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less. The Foundation recognizes the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

For operating leases, the lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the risk-free rate. Right-of-use assets are recognized based on the initial present value of the fixed lease payments, plus initial direct costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations. Lease expense for operating leases is recognized on a straight-line basis over the lease term and is included in office expense in the accompanying statements of activities and changes in net assets.

Several key estimates and judgements are used to determine the right-of-use assets and operating lease liabilities, including the discount rate used to discount the unpaid lease payments to present value, lease term, and lease payments. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease unless an entity elects the practical expedient to use the risk-free rate. The Foundation has elected the practical expedient to utilize the risk-free rate of return for U.S. Treasury securities of a similar term at the date of inception.

Valuation of Long-Lived Assets

In accordance with the provisions of accounting for the impairment or disposal of long-lived assets, the Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Management has determined that no impairment adjustment was required to be recorded for the years ended December 31, 2022 and 2021.

Intangible Assets

In accordance with Financial Accounting Standards Board ("FASB") ASC 350-40, *Intangibles Goodwill and Other - Internal Use Software* and *Website Development Costs,* internal and external costs incurred during the application development stage to develop computer software and websites solely to meet the Foundation's internal needs are capitalized. Costs incurred during the preliminary project stage and postimplementation/operation stage are expensed as incurred. Capitalized software and website costs are amortized on a straight-line basis over the estimated useful lives.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. The statements of functional expenses present 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 a percentage of use determined by management to reflect the benefit received. The percentage of use is primarily determined by cost allocation techniques such as time and effort. Program expenses are those related to client assistance activities and are allocated based on direct expenditures incurred. Management and general expenses relate to supporting expenses, both direct and indirect, associated with those programs and are allocated based on salaries associated with the office administrative staff. 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 740, *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 believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. There are no income tax related penalties or interest included in these financial statements.

As required by law, the Foundation files informational returns with the U.S. 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.

Fair Value Measurements
In accordance with FASB ASC 820, *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.

FASB ASC 820 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.

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; and
- 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); and
- 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, 2022 and 2021.

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. The Foundation considers contributions and grants receivable at December 31, 2022 and 2021 to be current assets.

Paycheck Protection Program loans: A government grant that may be forgiven or converted to a loan at a future point in time, and for which imputed interest does not apply, is carried at cost. However, management believes the Foundation will receive full forgiveness of the Paycheck Protection Program loan, 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 Topic 958-320: Not for Profit Entities: Investments are initially reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sale of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

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 31. All unused time must be utilized by March 31 of the following year or it will be forfeited. As of December 31, 2022 and 2021, the accrued vacation liability was approximately $1,369 and $303, respectively, and is included in accrued expenses on the statements of financial position.

Advertising

The Foundation expenses the costs of advertising the first time advertising takes place. The Foundation incurred $9,824 and $6,391 in advertising expenses for the years ended December 31, 2022 and 2021, respectively, and are included in miscellaneous expenses on the statements of functional expenses.

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 accounting principles generally accepted in the United States of America.

Accounting Pronouncements Implemented in the Current Year

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) amending the accounting for leases. The Company adopted the new standard effective January 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Company utilized the practical expedient available under the guidance. Further, the Company elected to implement the package of practical expedients, whereby the Company did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs.

Upon adoption, the Company recognized $12,693 in right-of-use (“ROU”) assets related to its leased equipment. Corresponding lease liabilities of $12,693 were also recognized. The adoption of this ASU had no material impact on the financial statements.

Gifts In-Kind
The Foundation adopted the presentation and disclosure requirements of ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) on the retrospective basis as of January 1, 2021.This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash and other financial assets, along with expanded disclosure requirements. The adoption of this ASU had no material impact on the Foundation's financial statements.

Reclassifications
Certain prior-year amounts have been reclassified to conform to the current-year presentation.

3. LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other obligations as they become due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Foundation's financial assets, as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual or internal restrictions and designations:

	2022	2021
Financial assets at year-end		
Cash	$ 1,442,661	$ 1,434,574
Contributions receivable	13,630	-
Grants receivable	12,500	12,000
Total financial assets	1,468,791	1,446,574
Less amounts not available to be used within one year:		
Board-designated funds for reserves	400,000	400,000
Net assets with donor restrictions	46,165	21,000
	446,165	421,000
Financial assets available to meet general expenditures over the next 12 months	$ 1,022,626	$ 1,025,574

The Foundation has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately $270,000. 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 foundations 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 become 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 consist of the following at December 31:

	2022	2021
Beginning balance	$ -	$ -
Donated securities	5,010	10,080
Sales	(4,932)	(9,946)
Realized loss	(78)	(134)
Ending balance	$ -	$ -

There were no investments as of December 31, 2022 and 2021.

5. PROPERTY AND EQUIPMENT

Property and equipment and their related estimated useful lives consist of the following at December 31:

	Estimated Useful Life (Years)	2022	2021
Land		$ 180,800	$ 180,800
Building	39	311,280	311,280
Building improvements	10	52,184	52,184
Furniture and fixtures	7	21,293	19,726
Vehicles	5	23,550	23,550
Computers	5	11,014	7,058
Total property and equipment		600,121	594,598
Less: Accumulated depreciation		(153,849)	(133,387)
Net property and equipment		$ 446,272	$ 461,211

Depreciation expense charged to operations for the years ended December 31, 2022 and 2021 totaled $20,462 and $16,352, respectively.

6. LEASES

The Foundation leases equipment for operations. The lease has an expiration date of 2024.

The statement of financial position includes operating lease right-of-use assets and liabilities at December 31, 2022 as follows:

Operating lease right-of-use asset, gross	$	12,693
Less: Accumulated amortization of right-of-use asset		4,574
Total operating lease right-of-use asset, net	$	8,119

Operating lease expense for the year ended December 31, 2022 was $4,680. There was no variable lease expense for the year ended December 31, 2022.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability for the years ending December 31, 2022:

2023	$	4,680
2024		3,510
Total undiscounted future lease payments		8,190
Less: Imputed interest		(71)
Total operating lease liability at December 31, 2022	$	8,119

The remaining lease term and the discount rate for the operating lease liability at December 31, 2022 was 1.75 years and 1.04%, respectively.

Lease expense comprises the following for the year ended December 31, 2022:

Operating lease expense	$	4,680
Short-term lease expense		189,489
Total lease expense	$	194,169

During the year ended December 31, 2021, the Foundation leased office equipment under a lease expiring September 2024. Minimum future rental payments are as follows:

2022	$	4,680
2023		4,680
2024		3,120
	$	12,480

Rent expense for the equipment for the year ended December 31, 2021 was $4,680.

The Foundation leases nine apartments for its youth housing program. These various leases have one-to-two-year terms expiring through October 2022. Future minimum lease payments for youth housing at December 31, 2021 was $106,898.

Total rental expense charged to operations for the years ended December 31, 2021 was $206,324. In addition to rent, the Foundation is responsible for the payment of the utilities associated with these apartments.

7. INTANGIBLE ASSETS

Intangible assets and their related estimated useful lives consist of the following at December 31:

	Estimated Useful Life (Years)	2022	2021
Computer software	3	$ 42,775	$ 30,175
Website	3	13,750	11,000
Total intangibles		56,525	41,175
Less: accumulated amortization		(32,275)	(30,175)
Net intangible assets		$ 24,250	$ 11,000

Amortization expense charged to operations for the years ended December 31, 2022 and 2021 totaled $2,100 and $3,660, respectively.

8. LINE OF CREDIT

The Foundation has an unsecured line of credit with TD Bank in the amount of $25,000 which is set to mature on December 31, 2074. 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 Rate, which is added to the margin of 3%. The index at December 31, 2022 and 2021 were 7.50% and 3.25% per annum, respectively. The revolving line of credit will be reviewed annually, and renewal is at the sole discretion of the bank. The line of credit was set to expire on March 31, 2023. Subsequent to year-end, the line of credit was renewed for an additional year through March 31, 2024. There were no borrowings made during 2022 and 2021, nor were there any amounts outstanding against the line of credit at December 31, 2022 and 2021.

9. CONTRIBUTED NONFINANCIAL ASSETS

The Foundation received contributed nonfinancial assets composed of food and supplies, gift cards, fundraising auction items, and professional services during the years ended December 31, 2022 and 2021 in support of its programs and operations which are recognized in the statements of activities and changes in net assets as follows:

Nonfinancial Contributions Category	Type of Contribution	Valuation	2022	2021
Client support	Food and supplies	Fair market value for similar item	$ 5,739	$ 14,401
Client support	Gift cards	Fair market value for gift card	4,028	-
Special events	Auction items	Donor provided fair market value	28,789	15,021
Special events	Marketing services	Donor provided current billing rates	1,272	10,000
Professional fees	Marketing services	Donor provided current billing rates	3,375	10,800
Professional fees	Legal services	Donor provided current billing rates	3,750	3,840
			$ 46,953	$ 54,062

Contributed nonfinancial assets are reflected as contributions at their fair value on the date of the donation and are reported as support without donor restrictions unless explicit donor stipulation specify how donated assets must be used. The Foundation benefited from donated food and supplies, gift cards, and auction items which amounted to $38,556 and $29,422 and have been reported as contributions of nonfinancial assets on the statements of activities and changes in net assets and within their functional expenses category for the years ended December 31, 2022 and 2021, respectively. Donated marketing and legal services in the amount of $8,397 and $24,640 have been reported as contributions of nonfinancial revenue on the statements of activities and changes in net assets and within their functional expenses category for the years ended December 31, 2022 and 2021, respectively. All donated services were utilized by the Foundation's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

10. OTHER INCOME

The Foundation entered into a four-year lease agreement with the State of New Jersey to rent out office space in 2018. The lease requires the State of New Jersey to make monthly payments of $3,959 and was set to expire January 31, 2022. During the prior year, the lease was renewed and requires the tenant to make monthly payments of $4,079 from February 1, 2022 through January 31, 2024.

In addition, in September 2021, the Foundation entered into a new two-year lease agreement with Project Readiness, a New Jersey nonprofit corporation, to rent out office space. The lease requires the tenant to make monthly payments of $500 from October 4, 2021 through October 4, 2023. Future lease income as of December 31, 2022 is as follows:

2023	$	53,433
2024		4,079
	$	57,512

Lease income amounted to $54,825 and $53,013, respectively, for the years ended December 31, 2022 and 2021.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31:

		2022		2021
Purchase of permanent housing	$	10,000	$	10,000
Program expenses		36,165		11,000
	$	46,165	$	21,000

Net assets released from donor restrictions by incurring expenses satisfying the specified restrictions placed by donors amounted to $11,000 and $302,250 for the years ended December 31, 2022 and 2021, respectively.

12. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2022	2021
One year or less	$ 10,000	$ 10,000
One to five years	10,000	20,000
	$ 20,000	$ 30,000

Calculation of discount on pledges receivable was deemed immaterial and is not reflected in the pledges receivable balance at December 31, 2022 and 2021. All pledges receivable are expected to be collected and are recorded at their net realizable value.

13. FUNDRAISING

The Foundation held several fundraising events during the years ended December 31, 2022 and 2021. The gross receipts from these events totaled $422,162 and $466,673 for 2022 and 2021, respectively. Direct expenses consisting of raffle tickets, facility costs, and other related expenses totaled $86,225 and $40,596 for 2022 and 2021, respectively, leaving net proceeds of $335,937 and $426,077 for 2022 and 2021, respectively.

14. CONCENTRATIONS

The Foundation has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of $250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Foundation's financial condition, results of operations, and cash flows.

Funding for the Foundation comes from private foundations and grants, fundraising, donations, rental income, and government sources. As of December 31, 2022 and 2021, approximately 11% and 6% of the funding for the Foundation came from one donor, respectively. 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.

15. PAYCHECK PROTECTION PROGRAM LOANS

In April 2020, the Foundation issued an unsecured promissory note (the "PPP Loan") for $92,380 through the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Foundation was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements. The first PPP Loan was made through TD Bank (the "Lender"), has a two-year term, bears interest at 1.00% per annum, and matures on April 28, 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until ten months after the end of the Covered Period. The PPP loan funding of $92,380 was recognized as a loan reflected in the accompanying statement of financial position as of December 31, 2020, as the conditions had not been met. In addition, on February 11, 2021, the Foundation issued a second unsecured promissory note (the "PPP 2 Loan") for $73,217, made through the Lender, which has a five-year term, commencing ten months after the end of the Covered Period, bears interest at 1.00% per annum, and matures on February 11, 2026.

When the Foundation applied for the loans, the Foundation believed it would qualify to have the loans forgiven under the terms of the PPP agreements. On March 17, 2021, the PPP Loan was fully forgiven, and on November 26, 2021, the PPP2 Loan was fully forgiven based on qualifying expenses, and therefore, the Foundation fully recognized the loans as forgiveness of debt in 2021 in the accompanying statement of activities and changes in net assets.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2023, which is the date the financial statements were available to be issued. Based upon this evaluation, the Foundation has determined that other than as disclosed in Note 8, no subsequent events have occurred, which would require disclosure in or adjustment to the financial statements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Roots & Wings Foundation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of Roots & Wings Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements and have issued our report thereon dated September 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Government Auditing Standards requires the auditor to perform limited procedures on the Roots & Wings Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Roots & Wings Foundation response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WithumSmith+Brown, PC

September 28, 2023

Finding 2022-001 Material Weakness

Lack of appropriate personnel involved with financial reporting

Criteria: Having financial personnel who possess the requisite experience and knowledge of financial controls, reporting, and financial oversight is key to accurate financial reporting. When financial personnel lack these skills, an outside contractor may be used to fill these responsibilities. The full-time employees lacked these skills and knowledge and the outside bookkeeper did not spend the time necessary to overcome the absence.

Condition: Foundation full-time personnel involved with financial reporting lacked sufficient knowledge about financial controls and reporting and failed to exercise adequate oversight. The Foundation contracted with an outside bookkeeper to assist with bookkeeping and financial reporting, who also did not possess the requisite experience and knowledge or was unable to spend the appropriate amount of time necessary to supplement the absence of the Foundation's employees' accounting knowledge.

Context: During the course of audit procedures, it was noted the Foundation did not accurately record transactions under generally accepted accounting principles and related nonprofit reporting. This required the auditors to propose several journal entries that were approved by management.

Effect or Potential Effect: Without proper reporting, tracking of expenditures and support, the Foundation could possibly be materially misstating transactions posted. This could lead to inaccurate reporting to various funding sources. Erroneous reporting could materially misstate recognized revenue. Lack of support from donors could jeopardize accurate reporting of donor restrictions.

Cause: The Foundation failed to have appropriate personnel staffing the financial reporting function.

Recommendation: The Foundation should seek to hire appropriate personnel with financial reporting experience and knowledge. If an outside accountant is required, the Foundation should ensure the bookkeeper can meet the void the Foundation personnel cannot provide.

Views of Responsible Official(s) and Planned Corrective Actions: The Foundation management is aware of the need to accurate financial reporting and maintaining accurate support and agree with the comments above.

Management's Response: Management takes the finding of the above-mentioned material weakness very seriously. During 2023, the Foundation hired a new Executive Director and contracted with a new outside bookkeeper. Both have experience with non-profit organizations and the related reporting and recording keeping. In addition, the Foundation is in the process of hiring a part time business manager.

Roots & Wings Foundation
Schedule of Prior Audit Findings
December 31, 2021

There were no prior-year findings