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INDEPENDENT AUDITOR'S REPORT

June 22, 2017

To the Board of Trustees
Deep Roots, Inc.
PO Box 113, Earleville, MD 21919

We have audited the accompanying financial statements of Deep Roots, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

Auditor's 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 auditor's judgement, including the assessment of the risk 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 to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Deep Roots, Inc. as of December 31, 2016, 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.

Thomas C. Jones, CPA
Thomas C. Jones, CPA

Deep Roots, Inc.
Statement of Assets, Liabilities, Net Assets
December 31, 2016

<i>Unrestricted Assets</i>		
<i>Cash & Cash Equivalents</i>	\$	76,425
<i>Grant Receivable</i>		-
<i>Other Current Assets</i>		1,577
 <i>Property & Equipment:</i>		
<i>Fixed Assets net of Depreciation</i>	\$	540,563
<i>Accumulated Depreciation</i>		<u>(39,966)</u>
<i>Total Net Property & Equipment</i>		<u>500,597</u>
 <i>Total Assets</i>		 <u><u>\$ 578,599</u></u>
 <i>Current Liabilities</i>		
<i>Payroll Liabilities</i>	\$	6,865
<i>Accounts Payable</i>		87
<i>Current Portion of Long Term Debt</i>		<u>102,892</u>
<i>Total Current Liabilities</i>		109,844
<i>Long Term Liabilities</i>		
<i>Promissory Notes</i>		100,000
<i>Loan Payable</i>		<u>1,820</u>
<i>Total Liabilities</i>		211,664
<i>Net Assets</i>		
<i>Temporarily Restricted Net Assets</i>		765
<i>Unrestricted Net Assets</i>		<u>366,170</u>
<i>Total Net Assets</i>		<u>366,935</u>
 <i>Total Liabilities & Net Assets</i>		 <u><u>\$ 578,599</u></u>

Deep Roots, Inc.
Statement of Activities, Expenses, and Other Changes in Net Assets
For the Year Ended December 31, 2016

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Revenue:			
<i>In-Kind</i>	\$ 207,338	-	\$ 207,338
<i>Individuals</i>	112,309	-	112,309
<i>Grants</i>	56,083	\$ 86,814	142,897
<i>Bequest</i>	39,875	-	39,875
<i>Gains</i>	514	-	514
<i>Corporations</i>	8,195	-	8,195
<i>Memorials</i>	700	-	700
<i>Resident Contributions</i>	36,170	-	36,170
<i>Recycling</i>	359	-	359
<i>Reimbursement</i>	90	-	90
<i>Work Groups</i>	9,850	-	9,850
<i>Church</i>	30,825	-	30,825
Total Support & Revenue	\$ 502,308	\$ 86,814	\$ 589,122
Expenses:			
Program Services	462,341	-	462,341
Management & General	43,677	-	43,677
Fundraising	12,262	-	12,262
Total Expenses	\$ 518,280	\$ -	\$ 518,280
Change in Net Assets	(15,972)	86,814	70,842
Net Assets Released from Restrictions	86,049	(86,049)	-
Net Assets, Beginning of Year	296,093	-	296,093
Net Assets, End of Year	\$ 366,170	\$ 765	\$ 366,935

Deep Roots, Inc.
Statement of Functional Expenses
December 31, 2016

	Program Services	Management & General	Fundraising	Total
<i>Salaries</i>	\$ 91,304	\$ 35,000	-	\$ 126,304
<i>Fica and Medicare</i>	5,634	3,452	-	9,086
<i>Unemployment Insurance</i>	75	-	-	75
<i>Sub Contractors</i>	-	1,335	-	1,335
<i>Bank Fees</i>	645	-	-	645
<i>Depreciation Expenses</i>	23,331	-	-	23,331
<i>Dues and Subscriptions</i>	939	-	-	939
<i>Food</i>	20,018	-	-	20,018
<i>Fuel</i>	20	-	-	20
<i>Occupancy</i>	45,243	-	-	45,243
<i>Maintenance</i>	9,575	-	-	9,575
<i>In Kind</i>	194,139	-	-	194,139
<i>Insurance</i>	18,088	-	-	18,088
<i>Interest</i>	3,910	-	-	3,910
<i>Office Expenses</i>	3,098	3,748	\$ 12,262	19,108
<i>Training & Development</i>	20	-	-	20
<i>Professional Fees</i>	5,500	-	-	5,500
<i>Meetings & Conferences</i>	-	142	-	142
<i>Transportation</i>	13,916	-	-	13,916
<i>Program Expenses</i>	17,629	-	-	17,629
<i>Small Equipment</i>	1,165	-	-	1,165
<i>Volunteer Expenses</i>	8,092	-	-	8,092
Total	\$ 462,341	\$ 43,677	\$ 12,262	\$ 518,280

Deep Roots, Inc.
Statement of Cash Flows
December 31, 2016

Statement of Cash Flows

Cash Flows from Operating Activities	
Cash Received from Public Support	\$ 352,898
Cash Paid to Suppliers and Employees	(278,360)
Interest Paid	(3,910)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>70,628</u>
Cash Flows from Investing Activities	
Improvements	(76,593)
Net Cash Used by Investing Activities	<u>(76,593)</u>
Cash Flows from Financing Activities	
Advance from an Individual	(155)
Payments on Promissory Notes	-
Net cash Used by Financing Activities	<u>(155)</u>
Net Increase or (Decrease) in Cash	(6,120)
CASH AS OF 1/01/15	82,545
CASH AS OF 12/31/15	<u>\$ 76,425</u>

Statement of Cash Flows

Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities	
Increase in Net Assets	\$ 70,842
Adjustments to reconcile changes in Net Assets to Net Cash provided by Operating Activities	
Depreciation and Amortization	23,331
Increase or (Decrease) in	
Decrease in Accrued Expenses	(20,684)
Decrease in Grant Receivable/Note	850
Decrease in Payroll Liabilities	(2,144)
Increase in Accounts Payable	87
Gift Card Donation	(1,654)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 70,628</u>

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2016

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Deep Roots, Inc. (the Organization) is a non-profit , tax exempt 501 C(3), organization. In January, 2012, a small group of adults, whose childhoods have been disastrously affected by homelessness, met to organize a new partnership with children and young people and their families who are currently or recently homeless. The project's purpose is to mentor relationships and community with these children to nurture the spiritual, emotional, and material means to a fulfilling life. Teaching and reminding each other that through right relationships, and the strength of our community, we can not only achieve personal success, but help to build neighborhood in a world growing poorer indeed for the lack of it.

Mission Statement

Deep Roots works with children, who are disconnected through homelessness or other similar marginalization: connecting hearts. Our program challenges children to envision a brighter future, to sustain healthy relationship and to navigate a course towards personal and social responsibility through better life experiences, with mentors, providing healthy life-models for all future relationships.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Deep Roots, Inc. and changes therein are as follows:

Unrestricted net assets- Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets- Net assets subject to donor imposed stipulations that may or will be met, either by actions of Deep Roots, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement activities as net assets released from restrictions.

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2016

Unrestricted Net Assets

Net Assets that are not subject to donor imposed stipulations. Temporarily restricted net assets-net assets subject to donor-imposed stipulations that may or will be met, either by actions of Deep Roots, Inc. or passage of time. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2016, there were no temporarily restricted net assets.

Basis of Presentation

Financial statement presentation follows the recommendations of the Not-for Profit FASB Accounting Standards Codification. According to the FASB Accounting Codification Standards, the Organization is required to report information regarding its financial position, activities, and functional expenses according to three classes of net assets.

Use of Estimates

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

Property and Equipment

Acquisitions of property and equipment more than \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows: Furniture and Equipment, and Vehicles 3-5 years, and Buildings and Improvements 40 years.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses, and other changes in net assets as net assets released from restrictions.

Income Taxes

Deep Roots, Inc. is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and under Section 288 (d)(5) of the Maryland Income Tax Law. The tax returns are available and open for inspection.

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2016

NOTE B – DEBT

The Organization has two promissory notes in the total of \$200,000. The first promissory note is for \$50,000 with an interest rate of 3.7% per annum; in the amount of \$1,850 beginning on the 17th day of December 2014, and continuing thereafter: any balance of principal or interest due or unpaid on the 17th day of December, 2018, shall be due and payable on said date. The second promissory note for \$150,000 is without interest and is due and payable on the 17th day of December 2018.

The organization financed an equipment loan payable over 24 months at an interest rate of 9.5%. The first payment was due August 30, 2016. The equipment loan is secured against a John Deere mower.

	<u>Note #1</u>	<u>Note #2</u>	<u>Note #3</u>	<u>Total</u>
2017	\$ 25,000	\$ 75,000	\$ 2,892	\$ 102,892
2018	25,000	75,000	1,820	101,820
	<u>50,000</u>	<u>150,000</u>	<u>4,712</u>	<u>204,712</u>
Short Term	(25,000)	(75,000)	(2,892)	(102,892)
	<u>\$ 25,000</u>	<u>\$ 75,000</u>	<u>\$ 1,820</u>	<u>\$ 101,820</u>

NOTE C- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of revenues, expenses, and other changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE D- SUBSEQUENT EVENTS

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to the financial statements. All events and transactions have been evaluated through the date of the review report, which is the date the financial statements were available to be issued.