

THOMAS C JONES, CPA

105 SOUTH STREET
ELKTON MD 21921-5701
410.398.9382 | 800.294.1515 toll free | 410.398.4303 fax
tomjonescpa@verizon.net

INDEPENDENT AUDITOR'S REPORT

July 7, 2021

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

I have audited the accompanying financial statements of Deep Roots, Inc. (a nonprofit organization), 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

THOMAS C JONES, CPA

105 SOUTH STREET
ELKTON MD 21921-5701
410.398.9382 | 800.294.1515 toll free | 410.398.4303 fax
tomjonescpa@verizon.net

Opinion

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Deep Roots, Inc. 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.

Thomas C. Jones, CPA

Thomas C. Jones, CPA

Deep Roots, Inc.
Statement of Assets, Liabilities, Net Assets
December 31, 2020

<i>Current Assets</i>		
<i>Cash & Cash Equivalents</i>		\$ 232,290
<i>Restricted Cash</i>		<u>117,357</u>
<i>Total Cash and Cash Equivalents</i>		349,647
<i>Securities</i>		166,444
<i>Other Current Assets</i>		<u>1,414</u>
<i>Total Current Assets</i>		517,505
<i>Property & Equipment:</i>		
<i>Fixed Assets net of Depreciation</i>	\$ 580,489	
<i>Accumulated Depreciation</i>	<u>(151,622)</u>	
<i>Total Net Property & Equipment</i>		<u>428,867</u>
Total Assets		<u><u>\$ 946,372</u></u>
<i>Current Liabilities</i>		
<i>Accounts Payable</i>	\$ 4,059	
<i>Disaster Loan-SBA</i>	\$ 7,000	
<i>PPP Loan</i>	\$ 44,700	
<i>Current Portion of Long Term Debt</i>	<u>26,000</u>	
<i>Total Current Liabilities</i>		81,759
<i>Long Term Debt, Less Current Portion</i>	<u>104,000</u>	
<i>Total Liabilities</i>		185,759
<i>Net Assets</i>		
<i>Net Assets with Donor Restrictions</i>	280,625	
<i>Net Assets without Donor Restrictions</i>	<u>479,988</u>	
<i>Total Net Assets</i>		<u>760,613</u>
Total Liabilities & Net Assets		<u><u>\$ 946,372</u></u>

Deep Roots, Inc.
Statement of Activities, Expenses, and Other Changes in Net Assets
For the Year Ended December 31, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue:			
<i>In-Kind</i>	\$ 242,394	\$ -	\$ 242,394
<i>Individual Contribution</i>	233,844	161,631	395,475
<i>Grants</i>	247,978	117,760	365,738
<i>Realized Gain on the Sale of Securities</i>	854	-	854
<i>Corporate Contributions</i>	16,850	-	16,850
<i>Memorials</i>	175	-	175
<i>Organizations</i>	13,040	-	13,040
<i>Resident Contributions</i>	2,945	-	2,945
<i>Loss on Disposal of an Asset</i>	(2,170)	-	(2,170)
<i>Work Groups</i>	4,773	-	4,773
<i>Church</i>	21,735	-	21,735
Total Support & Revenue	<u>\$ 782,418</u>	<u>\$ 279,391</u>	<u>\$ 1,061,809</u>
Expenses:			
Program Services	678,571	-	678,571
Management & General	56,615	-	56,615
Fundraising	41,317	-	41,317
Total Expenses	<u>\$ 776,503</u>	<u>\$ -</u>	<u>\$ 776,503</u>
Change in Net Assets	5,915	279,391	285,306
Net Assets Released from Donor Restrictions	-	-	-
Net Assets, Beginning of Year	<u>474,073</u>	<u>1,234</u>	<u>475,307</u>
Net Assets, End of Year	<u>\$ 479,988</u>	<u>\$ 280,625</u>	<u>\$ 760,613</u>

Deep Roots, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management & General	Fundraising	Total
<i>Salaries</i>	\$ 180,041	\$ 39,597	\$ 16,701	\$ 236,339
<i>Fica and Medicare</i>	15,278	3,029	1,278	19,585
<i>Unemployment Insurance</i>	128	-	-	128
<i>Repairs & Maintenance</i>	15,117	-	-	15,117
<i>Depreciation Expense</i>	29,938	-	-	29,938
<i>Dues and Subscriptions</i>	16,869	910	-	17,779
<i>Food</i>	21,795	-	-	21,795
<i>Occupancy</i>	55,337	-	-	55,337
<i>Maintenance</i>	1,209	-	-	1,209
<i>In Kind</i>	242,394	-	-	242,394
<i>Interest</i>	370	-	-	370
<i>Insurance</i>	26,433	1,295	606	28,334
<i>Office Expense</i>	1,090	4,942	22,732	28,764
<i>Professional Fees</i>	-	6,500	-	6,500
<i>Meetings & Conferences</i>	-	342	-	342
<i>Transportation</i>	4,516	-	-	4,516
<i>Program Expenses</i>	63,467	-	-	63,467
<i>Small Equipment</i>	1,209	-	-	1,209
<i>Volunteer Expense</i>	3,380	-	-	3,380
Total	\$ 678,571	\$ 56,615	\$ 41,317	\$ 776,503

Deep Roots, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

Statement of Cash Flows

Cash Flows from Operating Activities	
Cash Received from Public Support	\$ 657,784
Cash Paid to Suppliers and Employees	(504,297)
Interest Paid	<u>(370)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>153,117</u>
Cash Flows from Investing Activities	
Purchase of Gift Cards	(305)
Purchase of Furniture & Fixtures	<u>(25,692)</u>
Net cash Used by Investing Activities	(25,997)
Cash Flows from Financing Activities	
Economic Disaster Loan Proceeds	7,000
Paycheck Protection Plan Proceeds	44,700
Payments on Loan	<u>(30,000)</u>
Net cash Used by Financing Activities	<u>21,700</u>
Net Increase in Cash	148,820
CASH EQUIVALENT AS OF 1/01/20	<u>200,827</u>
CASH EQUIVALENT AS OF 12/31/20	<u>\$ 349,647</u>

Statement of Cash Flows

Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities	
Change in Net Assets	\$ 285,306
Adjustments to reconcile changes in Net Assets to Net Cash provided by Operating Activities	
Depreciation and Amortization	29,938
Increase or (Decrease) in	
Donations of Securities	(161,631)
Decrease in Accounts Payable	(496)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 153,117</u>

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2020

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, they can not only achieve personal success, but help to build neighborhood in a world growing poorer indeed for the lack of it.

Mission Statement

Ending Homelessness One Family and One Child at a Time - In addition to serving as a homeless shelter for children and families in the community, Deep Roots strives to break the generational cycle of homelessness. Their program encourages children and their parents to envision a brighter future, to sustain healthy relationships, and to navigate a course towards personal and social responsibility. Through better life experiences, with mentors, and by providing healthy life-models, education, and supports, Deep Roots seeks to show families that homelessness is not destiny. Ending poverty and homelessness begins with the building of community, relationships, and in genuine human meaning - beyond barriers of race, class, and religion. Community enriches all lives, and the lives of children; it lays the foundation for gentle and peaceable world, one in which the violence of poverty and homelessness have no place.

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:

Net Assets without Donor Restrictions-Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions-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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement activities as net assets released from donor restrictions. At December 31, 2020, there was \$280,625 in net assets with donor restrictions.

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2020

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 two classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with the accrual 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 \$1,500 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 without donor restrictions or with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities, and other changes in net assets as net assets released from restrictions.

Fundraising

The organization publishes a newsletter and incurred expenses totaling \$16,277.

Cash Equivalents

The organization considers cash on deposit, cash on hand and money market funds to be cash equivalents.

Concentration of Credit Risk

The Deep Roots Organization maintains its cash and investment accounts at a commercial bank. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts at each bank. The amount in excess of insured limits at December 31, 2020 was approximately \$99,647.

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2020

Restricted Cash

Restricted cash represents a donor-restricted maintenance reserve fund for the Organization.

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.

NOTE B – DEBT

The Organization has two promissory notes that total \$190,000. The first promissory note is for \$40,000 with an interest rate of 3.7% per annum; with monthly payments 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, was due and payable on that date. The second promissory note for \$150,000 is without interest and was also due and payable on the 17th day of December 2018. The first promissory note was paid in full on December 31, 2020. The second promissory note was refinanced on December 28, 2020 with no stated interest and a new maturity date of December 17, 2025.

	<u>Note #1</u>	<u>Note #2</u>	<u>Total</u>
2021	-	26,000	26,000
2022	-	26,000	26,000
2023	-	26,000	26,000
2024	-	26,000	26,000
2025	-	26,000	26,000
Total	-	130,000	130,000
Current	-	26,000	26,000
Long Term	\$ -	\$ 104,000	\$ 104,000

NOTE C - INVESTMENTS

Investments are reported at fair value. For contributed investments, fair value of the gift is determined by the market value at the date of donation.

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE D - DONATED SERVICES

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased is not provided by donation. The amount of donated services have been reflected in the financial statements. Noncash donations are recognized at their estimated fair values at the date of donation.

NOTE E- FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE F- REVENUE RECOGNITION

Allocation of transaction price to performance obligations.

In an effort to support the organization, the organization requests individual donations from residents. At any given time the facility has about 8 families. The transaction price of \$13 per week per family is included in revenue as resident contributions. The revenue is recorded when received and is not restricted by the donors. There is no overlap of two fiscal periods. The amounts are recorded before December 31 as a cutoff date for the donations.

Grants were separated in the financial statements as with and without donor restriction. The restricted grants of \$117,760 and an individual restricted donation of \$161,631 were recorded as revenue. The amounts released from restrictions were \$0. The balance of donor restrictions is \$280,625 as of December 31, 2020.

NOTE G- IN-KIND CONTRIBUTIONS

The Organization regularly receives contributions of food, grocery items and vehicles from the public that are reported in these financial statements. Food and grocery items are weighed and assigned values using values per pound published by Feeding America, a national food bank, in its annual Product Valuation Survey. Vehicles are valued using the private party sale estimates on Edmunds.com, considering mileage, condition, color, and optional equipment.

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2020

Note H- FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Assets and liabilities that are required to be recorded at fair value in a statement of financial position are categorized based on inputs to valuation techniques as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.

As of December 31, 2020 the asset in the amount of \$166,444 is invested in Vanguard Securities and classified within level 1.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for asset or liability either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability that are supported by little or no market activity and rely on management's own assumptions about the assumption that market participants would use in pricing the asset or liability.

The 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.

NOTE I- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations.

	<u>2020</u>
Cash and cash equivalents	\$ 349,647
Investments	166,444
Other Assets	1,414
Less amount to fund donor imposed restrictions	<u>(280,625)</u>
Financial assets available to meet cash needs for expenditures within one year.	<u>\$ 236,880</u>

Deep Roots, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE J — PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the company received a \$44,700 Paycheck Protection Program Loan. The company submitted a loan forgiveness application to request forgiveness of this loan, but as of December 31, 2020 the loan has not been forgiven

NOTE K- ECONOMIC DISASTER LOAN

On April 17, 2020, the company received a \$7,000 Economic Disaster Loan.

NOTE L - SUBSEQUENT EVENTS

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements for disclosure in the notes to the financial statements. All events and transactions have been evaluated through July 7, 2021 which is the date the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, the results of operation, and cash flows cannot be reasonably estimated for fiscal 2020. As of the date of the financial statements, operations have continued subject to regulated limitations and restrictions.