



FEEDING OPPORTUNITY & COMMUNITY

Root NS, Inc.

Financial Statement

For the Years Ended

December 31, 2020 and 2019

Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors
Root NS, Inc.
Salem, MA

I have audited the accompanying financial statements of Root NS, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activity, functional expenses, and cash flows for the years 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 my 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.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Root NS, Inc. as of December 31, 2020 and 2019, 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.

A handwritten signature in black ink that reads 'Melissa Gilroy'.

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
May 26, 2021

Root NS, Inc.
Statements of Financial Position

As of December 31,	2020	2019
<u>Assets</u>		
Cash and cash equivalents	\$ 622,108	\$ 391,840
Accounts receivable	4,687	49,550
Contribution receivables	98,577	164,793
Prepaid expenses	6,191	13,573
Inventory	1,484	3,392
Furniture and equipment	175,374	169,521
Leasehold improvements	1,572,949	1,572,949
Accumulated depreciation	(560,866)	(377,632)
Total Assets	\$ 1,920,504	\$ 1,987,986
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 47,131	\$ 58,958
Note Payable	150,000	-
Line of credit - related party	-	150,000
Total Liabilities	197,131	208,958
Net Assets		
Without donor restrictions	1,444,733	1,508,763
With donor restrictions	278,640	270,265
Total Net Assets	1,723,373	1,779,028
Total Liabilities and Net Assets	\$ 1,920,504	\$ 1,987,986

Root NS, Inc.
Statements of Activity

For the years ended December 31,

2020

2019

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Food operations	\$ 61,582	-	61,582	\$ 230,511	-	230,511
Less: Cost of goods sold	(10,289)	-	(10,289)	(83,103)	-	(83,103)
Net food operations	51,293	-	51,293	147,408	-	147,408
Contributions and grants	595,640	330,187	925,827	665,162	250,954	916,116
Special events, net of direct costs of \$31,840 and \$23,149, respectively	84,161	10,000	94,161	177,553	-	177,553
Interest income	70	-	70	150	-	150
Net assets released from restriction	331,812	(331,812)	-	72,473	(72,473)	-
Total revenue and support	1,062,976	8,375	1,071,351	1,062,746	178,481	1,241,227
Expenses						
Program services	829,603	-	829,603	895,155	-	895,155
Management and administrative	155,844	-	155,844	152,060	-	152,060
Fundraising	141,559	-	141,559	137,323	-	137,323
Total expenses	1,127,006	-	1,127,006	1,184,538	-	1,184,538
Change in Net Assets - operating	(64,030)	8,375	(55,655)	(121,792)	178,481	56,689
Non-Operating Activity						
Contributions restricted for capital purchases	-	-	-	-	72,000	72,000
Net assets released from restriction	-	-	-	116,000	(116,000)	-
Total non-operating activity	-	-	-	116,000	(44,000)	72,000
Change in Net Assets	(64,030)	8,375	(55,655)	(5,792)	134,481	128,689
Net Assets at Beginning of Year	1,508,763	270,265	1,779,028	1,514,555	135,784	1,650,339
Net Assets at End of Year	\$ 1,444,733	278,640	1,723,373	\$ 1,508,763	270,265	1,779,028

Root NS, Inc.
Statements of Cash Flows

For the years ended December 31,

2020

2019

Cash Flows from Operating Activities

Change in Net Assets	\$	(55,655)	\$	128,689
Adjustments to reconcile change in net assets to cash provided by operations				
Depreciation		183,234		175,315
Accounts receivable		44,863		(49,550)
Contribution receivable		66,216		(99,720)
Prepaid expenses		7,382		71
Other current assets		1,908		(344)
Accounts payable and accrued expenses		(11,827)		12,771
Net Cash Provided by Operating Activities		<u>236,121</u>		<u>167,232</u>

Cash Flows from Investing Activities

Purchase of fixed assets		(5,853)		(114,042)
Net Cash Used in Investing Activities		<u>(5,853)</u>		<u>(114,042)</u>

Cash Flows from Financing Activities

Proceeds from line of credit		150,000		150,000
Line of credit repayment		(300,000)		-
Note payable proceeds		150,000		-
Net Cash Provided by (Used in) Financing Activities		<u>-</u>		<u>150,000</u>

Net (Decrease) Increase in Cash and Cash Equivalents

230,268 203,190

Cash and Cash Equivalents - Beginning

391,840 188,650

Cash and Cash Equivalents - Ending

\$ 622,108 \$ 391,840

Supplement Disclosure of Cash Flow Information

Cash paid during the year for interest	\$	<u>7,276</u>	\$	<u>5,106</u>
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Root NS, Inc.

Notes to Financial Statements

1. Nature of the Business

Root NS, Inc. (the Organization) was incorporated in 2015 as a Massachusetts non-profit and is tax exempt for federal purposes under the Internal Revenue Code under section 501c3. Root's mission is to help young adults create a pathway to independence through food service training and employment. By developing essential life and work readiness skills, youth leave Root prepared for success in the workplace. The Organization provides educational services to at-risk youth through a comprehensive food services training program. The program is founded on a learn by doing premise. The experiential learning model aims to provide a pathway out of the entrenched cycle of poverty through:

- Culinary instruction to increase employability and stable employment.
- Health and Nutrition Education.
- Increasing educational attainment.
- Increasing financial literacy.
- Developing a more stable lifestyle by addressing social barriers such as housing, mental health issues, childcare and healthy relationships.
- Offering Post-Graduation and Transition Services.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles in the United States of America ("GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in two categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. Nonoperating activities are limited to resources that generate return from other contributions and activities considered to be of a more unusual or nonrecurring nature. The net assets of the Organization are classified and defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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 as net assets released from restrictions.

Root NS, Inc.
Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents, reported at fair value; include cash and all highly liquid investments with a maturity of three months or less when purchased. Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2020 and 2019, the Organization had \$311,594 and \$135,791 in excess of the FDIC insured limit, respectively.

Accounts Receivable

The Organization carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

Contribution Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Contribution receivables from two resource providers accounted for 91% and 82% of the outstanding contribution receivable balance as of December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment is stated at cost at the time of acquisition or fair market value at the time of donation. Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain and loss is credited or charged to operations. Depreciation is recorded on a straight-line basis based on the related assets estimated useful lives.

Inventory

The Organization's inventory valuation method is the lower of cost or net realizable value and is determined using the first-in first-out method. Inventory consists of food, beverage and retail items sold at the Organization's café.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activity. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Revenue Recognition

The Organization earns revenue from its food operations which is recognized upon service delivery. Substantially all of the Organization's revenue is derived from its operations in Salem, Massachusetts.

Root NS, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Contribution Revenue

The Organization 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 met. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

Contributions from three donors / grantors represented 27% total contribution and grant revenue at December 31, 2019. During 2020, donations from two resource providers represented 22% of total contribution and grant revenue. Included in this amount are donations from board members representing 19% and 7% of total contribution and grant income at December 31, 2020 and 2019, respectively.

Donated Facilities, Services and Assets

Donated facilities, services and assets are recorded at the estimated fair value provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. During the year ended December 31, 2019, donated assets amounting to \$39,750 was received and are recorded in the accompanying statement of activity as contribution income.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Income Taxes

The Organization is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code and is not considered to be a private foundation. The Organization is also exempt from state income tax. Accordingly, no provision for income taxes is included in the financial statements.

The Organization complies with the provisions of GAAP related to the accounting for the uncertainty in income taxes. As required, the Organization has evaluated its tax positions, applying a "more likely than not" threshold and believes that there would be no material changes to the results of its operation or financial position as a result of an audit by the applicable taxing authorities, federal or state. The Organization has filed all of its known and required tax returns in a timely manner, including as permitted, allowed extensions.

Root NS, Inc.
Notes to the Financial Statements

3. Special Events

The Organization had special event revenue and related expenses consisting of the following:

	2020	2019
Special event income	\$ 126,001	\$ 200,702
Special event expense	<u>(31,840)</u>	<u>(23,149)</u>
	<u>\$ 94,161</u>	<u>\$ 177,553</u>

4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date consists:

	2020	2019
Cash and Cash Equivalents	\$622,108	\$ 391,840
Accounts Receivable	4,687	49,550
Contribution Receivable, current portion	<u>55,000</u>	<u>78,334</u>
Financial assets	\$681,795	\$ 519,724
Less donor purpose restrictions	<u>(215,063)</u>	<u>(70,711)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$466,732</u>	<u>\$ 449,013</u>

As part of its liquidity management plan, the Organization manages its operations within a balanced budget. The organization relies on annual fund donations, unrestricted grants, fundraising event revenue, and earned service revenue to cover the costs of operations.

5. Related Party Transactions

Line of Credit

In fiscal 2019, the Organization obtained a line of credit in the amount of \$150,000 to be used for working capital purposes payable on demand due to a Board member. Interest on the line is accrued based at the Alliance Bernstein prime rate which was 2.70% as of the year-ended December 31, 2020. During fiscal 2020, the line was drawn upon and repaid as such, the amount outstanding as of December 31, 2020 was zero.

Note Payable

The Organization has a note payable due the Small Business Administration under the Economic Injury Disaster Loan Program ("EIDL") in the amount of \$150,000 as of the year-ended December 31, 2020. The loan requires principal and interest payments of \$641 monthly beginning in June 2021 and matures in June 2050. The note has a fixed interest rate of 2.75%. As of December 31, 2020, the amount outstanding was \$150,000.

Total interest expense for all outstanding debt for the years ended December 31, 2020 and 2019 amounted to \$7,276 and \$5,106.

Principal payments on the note payable are due as follows:

2021	\$	2,095
2022	\$	3,671
2023	\$	3,773
2024	\$	3,878
2025	\$	3,986

Root NS, Inc.
Notes to the Financial Statements

6.. **Lease**

The Organization maintains a lease for office space that began in October 2017 and expires in September 2022 with an option to renew for an additional five years. Monthly lease payments amount to \$6,621 per month. The lease provided for two months of free rent. Total rent expense for the year ended December 31, 2020 and 2019 amounted to \$76,800 and \$76,800. Payments on the lease are due as follows:

2021	\$	79,452
2022	\$	59,589
2023		-
2024		-
2025		-

7. **Contribution Receivables**

As of December 31, 2020 and 2019, contribution receivables are scheduled to be collected as follows:

	2020	2019
Less than one year	\$ 55,000	\$ 78,334
One to five years	45,000	90,000
Less discount	(1,423)	(3,541)
	<u>\$ 98,577</u>	<u>\$ 164,793</u>

8. **Net Assets with Donor Restrictions**

Net assets with donor restrictions consists of the following at December 31, 2020 and 2019:

Description	As of 12/31/2019	Additions	Released	As of 12/31/2020
Pledge receivable - time restriction	\$ 164,793	12,118	(78,334)	\$ 98,577
Social worker - purpose restriction	10,000		(10,000)	-
Youth training program - purpose restriction	62,343	58,272	(104,715)	15,900
Salem meet and greet - purpose restriction	10,590	-	-	10,590
Scholarships - purpose restriction	17,539	25,000	(7,465)	35,074
Payroll and other costs - purpose restriction	-	98,900	(98,900)	-
COVID and community meals - purpose restriction	-	145,897	(28,898)	116,999
Capital improvements - purpose restriction	5,000	-	(3,500)	1,500
	<u>\$ 270,265</u>	<u>340,187</u>	<u>(331,812)</u>	<u>\$ 278,640</u>

9. **Paycheck Protection Program Loan**

In April 2020, the Organization received a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan under the CARES act in the amount of \$98,000. The loan was accounted for as a conditional grant and available to fund eligible payroll and related costs, utilities and rent. The Organization met the conditions as of its year-ended December 31, 2020 in order to earn the revenue in accordance with GAAP. As such in fiscal 2020, \$98,000 was recorded in contribution and grant income in the accompanying financial statements. The loan has been officially forgiven by the SBA in fiscal 2021.

Subsequent to year-end the Organization applied for and was granted a second loan under this program amounting to \$98,917. Management intends to use the funds for qualifying expenses and as such, expects the full amount to be forgiven in fiscal 2021.

Root NS, Inc.
Notes to the Financial Statements

10. Recent Pronouncements

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. This ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. This ASU also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include ensuring the time value of money is considered in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2018, and early adoption is permitted. The Organization adopted this ASU on January 1, 2019 on a modified retrospective basis. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

11. Risks and Uncertainties

During fiscal 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of school and businesses. As a result of the Pandemic, during 2020, the Organization was required to close the Café and cancel certain events. The disruption due to the Pandemic is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact and duration cannot be reasonably estimated at this time.

12. Subsequent Events

Management has evaluated subsequent events through May 26, 2021, which is the date financial statements were available to be issued.