

**FINANCIAL
STATEMENTS
AND REPORT OF
INDEPENDENT
CERTIFIED PUBLIC
ACCOUNTANTS**

LIFEROOTS, INC.

June 30, 2015 and 2014

atkinson

PRECISE. PERSONAL. PROACTIVE.

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LifeROOTS, Inc.

OFFICIAL ROSTER

June 30, 2015

Board of Directors

Catherine Salazar	Chairman
Leslie Strickler	Vice-Chairman
Jeanne Vigil	Treasurer
Amy Clithero	Secretary
Brad Vaughn	Director
Joan Schofield	Director
Linda Geiszler	Director
Catherine Thompkins	Director
Sue Iliff	Director
Myron Saldyt	Director
Carol Guerra	Director
Jill Tatz	Director
Lewis Reade	Director

Administrative Personnel

Kathleen Cates	CEO/President
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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
LifeROOTS, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of LifeROOTS, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

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 the 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 audits. We conducted our audits 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. Those standards require that we plan and perform the audits 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 LifeROOTS, Inc.'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 LifeROOTS, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

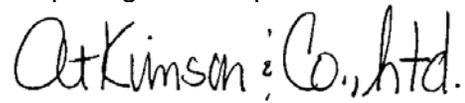
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LifeROOTS, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of LifeROOTS, Inc.'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 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 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 LifeROOTS, Inc.'s internal control over financial reporting and compliance.


Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 16, 2015

LifeROOTS, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 98,195	\$ 181,418
Restricted cash	26,000	-
Accounts receivable	396,670	292,656
Contracts receivable	319,012	324,889
Unconditional promises to give - United Way	68,128	60,430
Inventories	1,198	1,196
Prepaid expenses and deposits	<u>36,638</u>	<u>55,557</u>
Total current assets	945,841	916,146
BENEFICIAL INTEREST IN CHARITABLE TRUSTS	706,511	-
PROPERTY AND EQUIPMENT, net	2,611,050	2,665,856
INVESTMENTS	<u>25,699</u>	<u>25,441</u>
Total assets	<u>\$ 4,289,101</u>	<u>\$ 3,607,443</u>

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts payable	\$ 274,255	\$ 409,083
Accrued payroll and related taxes	98,685	91,686
Accrued compensated absences	111,145	116,428
Deferred revenue	13,041	270
Current portion of long-term debt	91,464	69,891
Current portion of capital lease obligation	8,311	-
	596,901	687,358
 LONG-TERM DEBT, less current portion	 1,378,736	 1,470,258
 CAPITAL LEASE OBLIGATION, less current portion	 33,666	 -
	2,009,303	2,157,616
 COMMITMENTS AND CONTINGENCIES	 -	 -
 NET ASSETS		
Unrestricted net assets		
Property and equipment, net of related debt	1,098,873	1,125,707
Operating	277,055	263,690
	1,375,928	1,389,397
 Temporarily restricted net assets	 903,870	 60,430
	2,279,798	1,449,827
 Total liabilities and net assets	 \$ 4,289,101	 \$ 3,607,443
	4,289,101	3,607,443

The accompanying notes are an integral part of these financial statements.

LifeROOTS, Inc.

**STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS**

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Revenue:			
Program service revenue:			
SourceAmerica and other service contracts	\$ 3,691,358	\$ -	\$ 3,691,358
Program services fees	1,760,175	-	1,760,175
NM Department of Health contracts	846,710	-	846,710
Other income	81,172	-	81,172
Return on investments:			
Realized gains on investments	2,187	-	2,187
Dividends and interest	462	-	462
Unrealized losses on investments	<u>(2,345)</u>	<u>-</u>	<u>(2,345)</u>
Total revenue	6,379,719	-	6,379,719
Support:			
Contributions:			
Monetary	18,901	706,511	725,412
United Way allocations	-	68,128	68,128
In-kind	13,243	-	13,243
Grants	<u>12,500</u>	<u>129,231</u>	<u>141,731</u>
Total support	44,644	903,870	948,514
Total revenue and support before releases	6,424,363	903,870	7,328,233
Net assets released from restrictions:			
Restrictions satisfied by time and expenditures	60,430	(60,430)	-
EXPENSES			
Program services:			
Contracts:			
Custodial	3,053,437	-	3,053,437
Landscaping and grounds keeping	113,736	-	113,736
Children and therapy	1,310,960	-	1,310,960
Community services:			
Day habilitation	655,651	-	655,651
Vocational services	312,269	-	312,269
Literacy	67,058	-	67,058
Career discovery	<u>52,095</u>	<u>-</u>	<u>52,095</u>
Total program services	5,565,206	-	5,565,206
Supporting services:			
Management and general	888,905	-	888,905
Fundraising	<u>44,151</u>	<u>-</u>	<u>44,151</u>
Total supporting services	933,056	-	933,056
Total expenses	<u>6,498,262</u>	<u>-</u>	<u>6,498,262</u>
CHANGES IN NET ASSETS	(13,469)	843,440	829,971
Net assets at beginning of year	<u>1,389,397</u>	<u>60,430</u>	<u>1,449,827</u>
Net assets at end of year	<u>\$ 1,375,928</u>	<u>\$ 903,870</u>	<u>\$ 2,279,798</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS - CONTINUED**

For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Revenue:			
Program service revenue:			
SourceAmerica and other service contracts	\$ 3,587,793	\$ -	\$ 3,587,793
Program services fees	1,828,934	-	1,828,934
NM Department of Health contracts	900,381	-	900,381
Other income	17,369	-	17,369
Return on investments:			
Realized gains on investments	13,899	-	13,899
Dividends and interest	1,373	-	1,373
Unrealized losses on investments	(2,812)	-	(2,812)
Total revenue	6,346,937	-	6,346,937
Support:			
Contributions:			
United Way allocations	400	60,430	60,830
Monetary	16,390	-	16,390
In-kind	10,253	-	10,253
Grants	17,500	-	17,500
Total support	44,543	60,430	104,973
Total revenue and support before releases	6,391,480	60,430	6,451,910
Net assets released from restrictions:			
Restrictions satisfied by time and expenditures	61,030	(61,030)	-
EXPENSES			
Program services:			
Contracts:			
Custodial	2,962,796	-	2,962,796
Landscaping and grounds keeping	139,420	-	139,420
Children and therapy	1,451,692	-	1,451,692
Community services:			
Day habilitation	647,375	-	647,375
Vocational services	499,707	-	499,707
Literacy	69,283	-	69,283
Career discovery	52,766	-	52,766
Total program services	5,823,039	-	5,823,039
Supporting services:			
Management and general	884,132	-	884,132
Fundraising	48,331	-	48,331
Total supporting services	932,463	-	932,463
Total expenses	6,755,502	-	6,755,502
CHANGES IN NET ASSETS	(302,992)	(600)	(303,592)
Net assets at beginning of year	1,692,389	61,030	1,753,419
Net assets at end of year	\$ 1,389,397	\$ 60,430	\$ 1,449,827

The accompanying notes are an integral part of these financial statements.

LifeROOTS, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

	Contracts			Program	
	Custodial	Landscaping and Grounds Keeping	Children and Therapy	Community	
				Day Habilitation	Vocational Services
Salaries and related expenses					
Salaries and wages	\$ 280,211	\$ 23,944	\$ 531,989	\$ 412,585	\$ 148,358
Clients and other	827,335	47,427	-	55	90,929
Payroll taxes	194,023	12,539	73,965	62,012	34,875
Fringe benefits	258,567	2,880	48,614	25,894	3,281
Total salaries and related expenses	1,560,136	86,790	654,568	500,546	277,443
Other expenses					
Contract labor	1,135,397	148	544,808	2,383	158
Supplies	159,200	12,462	5,300	6,841	51
Commissions	112,062	-	-	-	-
Interest	2,520	-	14,611	25,536	5,692
Insurance	2,458	-	21,299	-	8,333
Transportation services	25,928	3,746	22,353	6,369	2,610
Rent	1,497	1,713	16	48,038	-
Advertising and marketing	282	-	1,267	752	135
Repairs and maintenance	8,303	921	9,609	9,569	2,767
Utilities	902	106	6,877	16,636	2,691
Professional fees	1,221	-	11,767	-	4,140
Office expense	3,770	444	4,971	5,067	3,215
Telephone	5,367	731	4,253	3,392	3,073
Dues and subscriptions	7,773	222	55	1,535	39
Miscellaneous	71	121	11	247	43
In-kind expenses	-	-	2,826	3,820	-
Equipment purchases	5,927	892	1,056	873	-
Employment screening	2,205	806	117	379	462
Meetings and conferences	948	166	240	-	-
Bank and investment fees	-	-	-	-	-
Postage	736	-	584	-	717
Bad debt expense	-	65	316	-	700
Total expenses before depreciation and amortization	3,036,703	109,333	1,306,904	631,983	312,269
Depreciation and amortization	16,734	4,403	4,056	23,668	-
Total expenses	\$ 3,053,437	\$ 113,736	\$ 1,310,960	\$ 655,651	\$ 312,269

Services			Supporting Services		
Services					
Literacy	Career Discovery	Subtotal Program Services	Management and General	Fundraising	Total Expenses
\$ 44,160	\$ 38,779	\$ 1,480,026	\$ 508,092	\$ -	\$ 1,988,118
-	2,749	968,495	-	-	968,495
5,964	6,204	389,582	56,302	-	445,884
4,706	814	344,756	24,791	-	369,547
54,830	48,546	3,182,859	589,185	-	3,772,044
-	-	1,682,894	80	-	1,682,974
66	2,819	186,739	2,613	-	189,352
-	-	112,062	-	-	112,062
2,716	-	51,075	35,327	-	86,402
3,976	-	36,066	51,713	-	87,779
26	261	61,293	2,877	-	64,170
-	-	51,264	4,804	-	56,068
-	-	2,436	3,694	44,001	50,131
1,320	-	32,489	17,173	-	49,662
1,284	-	28,496	16,696	-	45,192
1,975	-	19,103	25,692	-	44,795
74	149	17,690	13,322	-	31,012
-	89	16,905	8,262	-	25,167
39	63	9,726	11,438	-	21,164
-	10	503	17,130	-	17,633
100	-	6,746	5,353	-	12,099
77	-	8,825	2,790	150	11,765
-	-	3,969	4,841	-	8,810
-	-	1,354	2,822	-	4,176
-	-	-	3,936	-	3,936
-	-	2,037	1,702	-	3,739
41	-	1,122	-	-	1,122
66,524	51,937	5,515,653	821,450	44,151	6,381,254
534	158	49,553	67,455	-	117,008
<u>\$ 67,058</u>	<u>\$ 52,095</u>	<u>\$ 5,565,206</u>	<u>\$ 888,905</u>	<u>\$ 44,151</u>	<u>\$ 6,498,262</u>

The accompanying notes are an integral part of these financial statements.

LifeROOTS, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

For the year ended June 30, 2014

	Program				
	Contracts			Community	
	Custodial	Landscaping and Grounds Keeping	Children and Therapy	Day Habilitation	Vocational Services
Salaries and related expenses					
Salaries and wages	\$ 280,051	\$ 27,027	\$ 662,952	\$ 402,526	\$ 253,478
Clients and other	814,269	52,599	-	140	132,028
Payroll taxes	191,272	11,453	90,354	59,453	57,265
Fringe benefits	229,181	2,883	54,318	19,944	11,617
Total salaries and related expenses	1,514,773	93,962	807,624	482,063	454,388
Other expenses					
Contract labor	1,083,614	3,918	521,945	2,680	-
Supplies	167,057	17,453	12,159	6,469	823
Commissions	106,975	-	-	-	-
Interest	2,793	-	15,159	26,261	5,931
Transportation services	26,211	4,933	30,351	8,679	7,819
Insurance	1,861	-	16,124	-	6,308
Advertising and marketing	340	-	550	-	2,141
Repairs and maintenance	7,825	2,753	11,135	10,063	3,282
Rent	1,080	1,669	-	45,746	-
Professional fees	1,373	-	11,980	-	4,656
Utilities	1,004	42	6,622	16,943	2,591
Miscellaneous	169	253	184	508	137
Office expense	3,990	935	6,642	5,424	2,599
Telephone	7,453	1,068	5,628	4,448	3,820
Dues and subscriptions	6,311	74	200	933	-
Bad debt expense	-	7,259	797	2,588	4,185
Equipment purchases	5,910	125	50	6,823	-
Employment screening	1,056	575	-	648	775
Bank and investment fees	-	-	-	-	-
Meetings and conferences	221	-	214	-	14
Postage	251	-	874	-	238
Total expenses before depreciation and amortization	2,940,267	135,019	1,448,238	620,276	499,707
Depreciation and amortization	22,529	4,401	3,454	27,099	-
Total expenses	\$ 2,962,796	\$ 139,420	\$ 1,451,692	\$ 647,375	\$ 499,707

Services			Supporting Services		
Services			Supporting Services		
Literacy	Career Discovery	Subtotal Program Services	Management and General	Fundraising	Total Expenses
\$ 46,957	\$ 38,043	\$ 1,711,034	\$ 501,752	\$ -	\$ 2,212,786
-	2,961	1,001,997	-	-	1,001,997
5,589	5,568	420,954	52,000	-	472,954
4,545	1,036	323,524	22,731	-	346,255
57,091	47,608	3,457,509	576,483	-	4,033,992
-	-	1,612,157	1,740	-	1,613,897
50	3,992	208,003	3,539	-	211,542
-	-	106,975	-	-	106,975
2,830	-	52,974	36,806	-	89,780
11	859	78,863	3,232	-	82,095
3,010	-	27,303	39,148	-	66,451
-	-	3,031	6,911	48,331	58,273
1,566	-	36,624	20,367	-	56,991
-	-	48,495	4,474	-	52,969
2,222	-	20,231	28,891	-	49,122
1,236	-	28,438	16,078	-	44,516
-	-	1,251	34,771	-	36,022
40	137	19,767	13,025	-	32,792
-	-	22,417	8,214	-	30,631
-	-	7,518	13,894	-	21,412
835	-	15,664	-	-	15,664
-	12	12,920	912	-	13,832
-	-	3,054	1,290	-	4,344
-	-	-	3,742	-	3,742
-	-	449	2,947	-	3,396
-	-	1,363	1,343	-	2,706
68,891	52,608	5,765,006	817,807	48,331	6,631,144
392	158	58,033	66,325	-	124,358
<u>\$ 69,283</u>	<u>\$ 52,766</u>	<u>\$ 5,823,039</u>	<u>\$ 884,132</u>	<u>\$ 48,331</u>	<u>\$ 6,755,502</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended June 30,

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 829,971	\$ (303,592)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	117,008	124,358
Net realized (gains) on investments	(2,187)	(13,899)
Net unrealized losses on investments	2,345	2,812
Reinvested interest and dividends	(416)	(915)
Donated property	(1,499)	-
Gain on sale of assets	(348)	(2,000)
Provision for bad debts	1,122	15,664
Net changes in assets and liabilities:		
Decrease in contracts receivable	4,820	44,991
(Increase) in accounts receivable	(104,079)	(17,710)
(Increase) decrease in unconditional promises to give	(7,698)	600
(Increase) in beneficial interest in charitable trusts	(706,511)	-
(Increase) in inventories	(2)	(1,196)
Decrease (increase) in prepaid expenses and deposits	18,919	(9,394)
(Decrease) increase in accounts payable	(134,828)	74,036
Increase in accrued payroll and related taxes	6,999	15,291
(Decrease) increase in accrued compensated absences	(5,283)	10,680
Increase in deferred revenue	12,771	-
Net cash flows provided by (used in) operating activities	<u>31,104</u>	<u>(60,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash restricted for purpose	(26,000)	-
Purchases of investments	(2,116)	(80,000)
Proceeds from sale and maturities of investments	2,116	159,600
Purchases of property and equipment	(16,033)	(8,107)
Proceeds from sale of property and equipment	<u>348</u>	<u>2,000</u>
Net cash flows (used in) provided by investing activities	<u>(41,685)</u>	<u>73,493</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(69,949)	(70,037)
Principal payments on capital lease obligation	<u>(2,693)</u>	<u>-</u>
Net cash flows (used in) financing activities	<u>(72,642)</u>	<u>(70,037)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(83,223)</u>	<u>(56,818)</u>
Cash and cash equivalents, beginning of year	<u>181,418</u>	<u>238,236</u>
Cash and cash equivalents, end of year	<u>\$ 98,195</u>	<u>\$ 181,418</u>

The accompanying notes are an integral part of these financial statements.

LifeROOTS, Inc.

STATEMENTS OF CASH FLOWS - CONTINUED

For the years ended June 30,

Increase (Decrease) in Cash and Cash Equivalents

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	<u>2015</u>	<u>2014</u>
Cash paid during the year for interest	<u>\$ 86,402</u>	<u>\$ 89,780</u>
Donation of materials, supplies, and services	<u>\$ 11,744</u>	<u>\$ 10,253</u>
Asset acquired under a capital lease obligation	<u>\$ 44,670</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A - NATURE OF BUSINESS

LifeROOTS, Inc. (the Organization) is a New Mexico not-for-profit organization organized in 1958 to provide appropriate education, treatment, and other services for developmentally, physically, and/or emotionally disabled adults and children. LifeROOTS, Inc.'s mission is to enable children and adults with special needs to achieve their highest level of self-sufficiency. LifeROOTS, Inc. is headquartered in Albuquerque, New Mexico, and operates with locations in Albuquerque and Rio Rancho, New Mexico. In May 2011, the Organization amended its articles of incorporation to change its name to LifeROOTS, Inc. from RCI, Inc.

The Organization was incorporated under the provisions of the New Mexico Nonprofit Corporation Act. A volunteer Board of Directors governs the Organization.

The Organization provides services through three divisions as follows:

Contracts

Employment opportunities are provided to adults with disabilities and special needs under the federal set-aside program known as Javits Wagner O'Day (JWOD). SourceAmerica, formerly National Institute for the Severely Handicapped (NISH), assists the Organization in contracting matters using the JWOD program, which creates employment opportunities for people with severe disabilities. Examples of these employment opportunities include custodial, landscaping and grounds keeping positions. In addition, other employment opportunities are created outside of the JWOD program for individuals with disabilities. Many of these employees are supported on the job through the vocational services program. As of June 30, 2015 and 2014, approximately 34 and 42 individuals with disabilities were employed under SourceAmerica and other government service contracts, respectively.

Landscaping and grounds keeping service contracts were started in May of 2012, with a majority of the start-up costs occurring in fiscal year 2012-13. Like all of LifeROOTS, Inc. contract services, these contracts maintain a minimum of 75% of direct labor performed by employees with disabilities who cannot maintain employment without LifeROOTS, Inc.'s support. This program has increased the number of paid labor hours offered to the community served. LifeROOTS, Inc. services numerous federal, state, and university contracts with a growing number of residential grounds keeping contracts.

Children and Therapy Services

Children Services - The majority of services through this division are through Early Intervention. Early Intervention services provide therapeutic support for children ages birth to three by working with families to identify the needs of children who may have delays in development, uneven patterns of growth, or are at risk due to factors in their environment. Services are delivered in the child's home or at one of the Organization's locations and consist of:

- Evaluation and assessment
- Speech, occupational, and physical therapies
- Therapeutic educational services
- Specialized infant program
- Service coordination

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE A - NATURE OF BUSINESS - CONTINUED

Children and Therapy Services - Continued

Therapy Services - Provide certified and licensed therapy in the following areas:

- *Occupational therapy* - helps people learn practical skills and adapt to changing job environments.
- *Physical therapy* - helps with an individual's endurance, body awareness, and strengthening to achieve optimal abilities.
- *Speech and language therapy* - helps people with all levels of communication realize confidence and independence.

Community Services

Vocational Services - Provide opportunities in the world of work to adults with disabilities and special needs. The Organization matches individuals with employers to jobs that fit both parties' needs and abilities.

Day Habilitation - Day Habilitation serves adults with developmental disabilities by providing integrated and individualized community-based services. Individuals participate in activities such as exploration, recreation, education, and community service, each customized for the individual's needs.

Literacy - Within the Literacy Program, time, space, and equipment are provided so individuals can discover their natural gifts. Through specifically designed curriculums and within a differentiated instructional framework, individuals will clarify vocational pursuits and obtain the specific resources and employment strategies to succeed in realizing their passion in the community. The Literacy Program defines and implements a curriculum that parallels the overall mission of CAREER. Literacy is person-centered where students create, develop, and manage their educational and career interests. The curriculum is designed to encourage students to learn independently, develop critical thinking skills, and to participate in group activities. Students will have access to individualized instruction, computer assisted technology, and vocational data bases, while preparing for employment in the workplace; or individuals currently employed can maintain employment by continued studies. The Literacy program consists of three units:

- Career Readiness
- Language Arts
- Math

Career Discovery - is for adults who want to increase their exposure to the world of work. This includes work assessment and job coaching.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Presentation

LifeROOTS, Inc. is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of LifeROOTS, Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets – represent net assets that are not subject to donor-imposed stipulations. Although not required, the Organization has elected to report its unrestricted net assets that represent amounts related to property and equipment (net of associated long-term debt) and amounts related to ongoing operating activities.

Temporarily Restricted Net Assets – represent net assets subject to donor-imposed stipulations that will be met either by actions of LifeROOTS, Inc. and/or the passage of time.

Permanently Restricted Net Assets – represent net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. LifeROOTS, Inc. does not have any permanently restricted net assets.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

3. Concentrations of Credit Risk

LifeROOTS, Inc. maintains its cash depository accounts and investment accounts with various financial institutions and brokerage firms. Balances in the accounts may at times exceed Federal or other insurance limits. LifeROOTS, Inc. has not experienced, and believes it is not exposed to, significant credit risk from these deposits.

4. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, LifeROOTS, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Promises to Give, Contributions, and Public Support

Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support of future periods. When a donor 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 Activities and Changes in Net Assets as net assets released from restrictions.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used "to acquire long-lived assets" are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions over the estimated useful life of the donated or acquired long-lived assets.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

6. Accounts and Contract Receivable

Accounts and contract receivables are recorded at net realizable value and are evaluated for collectibility by using historical experience applied to an aging of the accounts. Accounts and contracts receivable are written off when deemed uncollectible. Receivables are considered past due if the balance is outstanding for more than 90 days. No interest is charged on late receivables. LifeROOTS, Inc. utilizes the allowance method to provide a valuation for estimated uncollectible accounts and contract receivables. No allowance was deemed necessary for accounts and contract receivables as of June 30, 2015 and 2014. Contract revenue is billed and recognized as revenue as services are rendered under the respective contract. Amounts received in advance of the services being rendered are reflected as deferred revenue.

7. Inventories

Inventories, which primarily consist of organization logo merchandise and polo shirts, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses on investments are included in return on investments in the accompanying Statements of Activities and Changes in Net Assets. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in unrestricted net assets unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized. The fair market value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ from the amounts reported in these financial statements.

9. Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over useful lives ranging from three to thirty-nine years.

The major classifications of property and equipment and the related depreciable lives are as follows:

<u>Classification</u>	<u>Depreciable lives</u>
Buildings and improvements	15-39 years
Furniture and equipment	3-15 years
Vehicles	5-10 years

Assets donated with explicit restrictions regarding their use and contributions of cash earmarked to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

10. Program Fees

New Mexico Department of Health and New Mexico Department of Human Services revenues and certain program service fees are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Donated Services and Materials

A substantial number of volunteers have donated time to LifeROOTS, Inc.'s programs and administration. As these services do not qualify for recognition as donated services in accordance with generally accepted accounting principles, they are not recorded as revenues and expenses in the accompanying financial statements. Supplies, materials, equipment, and services were donated to LifeROOTS, Inc. and are recorded at their estimated values of \$13,243 and \$10,253 for the years ended June 30, 2015 and 2014, respectively.

12. Income Taxes

LifeROOTS, Inc. is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, its normal activities do not result in any income tax liability. LifeROOTS, Inc. is classified as other than a private foundation.

LifeROOTS, Inc. applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Income Taxes* (FASB ASC 740). FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions in an enterprise's financial statements. Uncertain income tax positions must meet a more-likely-than-not recognition threshold to be recognized. LifeROOTS, Inc.'s policy is to classify income tax penalties and interest according to their natural classification rather than as income tax expense. As of June 30, 2015 and 2014, management does not believe LifeROOTS, Inc. has any uncertain tax positions that would require financial statement recognition, measurement, or disclosure under FASB ASC 740. Due to statutes of limitation, LifeROOTS, Inc.'s tax returns are no longer subject to examinations by tax authorities for fiscal years before 2012.

13. Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

14. Advertising

LifeROOTS, Inc. expenses advertising costs as incurred. Such expenses are shown in the Statements of Functional Expenses; no amounts of advertising are carried as assets except when expenses are paid in advance. These are recorded as prepaid expenses until services are rendered.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED15. Subsequent Events

Subsequent events have been evaluated through October 16, 2015, the date the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2015. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE C - ACCOUNTS AND CONTRACTS RECEIVABLE

The Organization has certain outstanding receivables as a result of services rendered regarding contracts with various federal, state, and local governmental agencies and private organizations. Receivables also consist of Medicaid insurance payments and other monies due from clients. The following is a summary of receivables as of June 30:

<u>Accounts Receivable</u>	<u>2015</u>	<u>2014</u>
Medicaid/DOH	\$ 182,693	\$ 183,221
Vocational Services	109,676	108,623
NM Department of Transportation and other	<u>104,301</u>	<u>812</u>
	<u>\$ 396,670</u>	<u>\$ 292,656</u>
<u>Contracts Receivable</u>	<u>2015</u>	<u>2014</u>
Kirtland Air Force Base	\$ 220,093	\$ 202,105
General Services	38,378	35,424
Horizons of New Mexico	26,044	23,585
Adelante Development Corporation	15,079	29,742
National Assessment Group	10,002	10,002
UNM Hospital	4,868	17,486
Other	<u>4,548</u>	<u>6,545</u>
	<u>\$ 319,012</u>	<u>\$ 324,889</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 2,774,640	\$ 2,773,720
Furniture, fixtures, and equipment	378,868	364,583
Vehicles	308,586	355,853
Leased equipment	44,670	-
Leasehold improvements	<u>17,590</u>	<u>15,590</u>
	3,524,354	3,509,746
Less accumulated depreciation and amortization	<u>(1,293,304)</u>	<u>(1,223,890)</u>
	2,231,050	2,285,856
Land	<u>380,000</u>	<u>380,000</u>
	<u>\$ 2,611,050</u>	<u>\$ 2,665,856</u>

Depreciation expense was \$117,008 and \$124,358 at June 30, 2015 and 2014, respectively.

NOTE E - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Assets Held in Charitable Trusts: Valued at fair value obtained from the third party trustee.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015:

Assets at Fair Value as of June 30, 2015

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity funds	\$ 12,369	\$ -	\$ -	\$ 12,369
Domestic fixed income funds	8,145	-	-	8,145
Asset allocation funds	5,185	-	-	5,185
Charitable trusts	-	706,511	-	706,511
Total	<u>\$ 25,699</u>	<u>\$ 706,511</u>	<u>\$ -</u>	<u>\$ 732,210</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2014:

Assets at Fair Value as of June 30, 2014

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity funds	\$ 11,877	\$ -	\$ -	\$ 11,877
Domestic fixed income funds	7,461	-	-	7,461
Asset allocation funds	3,899	-	-	3,899
International equity funds	1,481	-	-	1,481
International fixed income funds	723	-	-	723
Total	<u>\$ 25,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,441</u>

NOTE F - AVAILABLE CREDIT

In August 2011, the Organization obtained a credit card with a maximum limit of \$80,000. The balance on the credit card was \$9,429 and \$15,355 at June 30, 2015 and 2014, respectively, and is included in accounts payable in the accompanying financial statements. The credit card bears interest at a rate of 2.99% on any past due amounts and no collateral is required.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE G - OPERATING LEASE OBLIGATIONS

LifeROOTS, Inc. has several non-cancelable operating leases, primarily for equipment and office space that expire at various dates through August 2017. Rental expense for those leases was \$59,657 and \$62,088 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows for the years ending June 30:

2016	\$	48,000
2017		48,000
2018		4,000
		<hr/>
	\$	<u>100,000</u>

NOTE H - CAPITAL LEASE OBLIGATION

LifeROOTS, Inc. leases office equipment under a capital lease expiring in 2020. The asset and liability under the capital lease are recorded at the present value of the minimum lease payments. The asset is amortized over the life of the lease. Amortization of the asset under the capital lease is included in depreciation expense.

Following is a summary of property held under capital lease:

Office equipment	\$	44,670
Accumulated depreciation		<u>(2,978)</u>
	\$	<u>41,692</u>

Minimum future lease payments under the capital lease as of June 30, 2015, were as follows:

2016	\$	9,930
2017		9,930
2018		9,930
2019		9,930
2020		<u>6,621</u>
Net minimum lease payments		46,341
Amount representing interest		<u>(4,364)</u>
Present value of net minimum lease payments	\$	<u>41,977</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE I - LONG-TERM DEBT

Long-term debt at June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Mortgage note payable to a bank, due in monthly installments of \$11,370, including principal and interest at 5.625%, maturing December 2031. The note is secured by the buildings.	\$ 1,456,130	\$ 1,507,896
Note payable to Ford Credit, due in monthly installments of \$456 including principal and interest at 4.24%, maturing November 2016. The note is secured by related vehicles.	7,050	12,132
Note payable to Ford Credit, due in monthly installments of \$454 including principal and interest at 4.24%, maturing November 2016. The note is secured by related vehicles.	7,020	12,080
Note payable to a bank, due in monthly installments of \$1,035 including principal and interest at 6.50%, maturing January 2015. The note is secured by related vehicles.	-	<u>8,041</u>
	1,470,200	1,540,149
Less current portion	<u>(91,464)</u>	<u>(69,891)</u>
Total	<u>\$ 1,378,736</u>	<u>\$ 1,470,258</u>

Maturities on long-term debt are as follows for the years ending June 30:

2016	\$ 91,464
2017	87,716
2018	87,517
2019	91,001
2020	94,623
Thereafter	<u>1,017,879</u>
	<u>\$ 1,470,200</u>

The Organization is required to comply with certain financial covenants and provisions in connection with the mortgage note payable. The requirements include maintaining a debt service coverage ratio of 1:25 to 1 and submitting audited financial statements to the bank within 120 days of fiscal year-end. Similar financial covenants and provisions exist with the bank debt collateralized with a certain vehicle. The Organization is in compliance with these financial covenants as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE J - PRIMARY FUNDING SOURCES

A significant portion of the Organization's funding is received from the New Mexico Department of Human Services (17% and 18% for the years ended June 30, 2015 and 2014, respectively) and the New Mexico Department of Health (20% and 24% for the years ended June 30, 2015 and 2014, respectively). Another important source of revenue is the federal contract for custodial work with Kirtland Air Force Base. This contract provided 34% and 37% of the total revenue for 2015 and 2014, respectively. A change in these funding sources would require a change in operations.

NOTE K - CLIENT SALARIES EXPENSE

Salaries to persons with disabilities, not including payroll taxes and employee benefits, for the years ended June 30, 2015 and 2014, totaled \$968,495 and \$1,001,997, respectively.

NOTE L - EMPLOYEE BENEFIT PLANS

LifeROOTS, Inc. has a defined contribution pension plan under Internal Revenue Code 403(b) covering all employees except for employees under supported employment programs, federal contracts, and those who are highly compensated. LifeROOTS, Inc. amended the plan on February 23, 2012, to not permit employer matching contributions. Therefore, no contributions were made to the plan by the Organization for the years ended June 30, 2015 and 2014.

LifeROOTS, Inc. also sponsors a health and welfare plan under Internal Revenue Code 401(a) covering certain employees that perform services under contracts that LifeROOTS, Inc. enters into with certain government agencies or similar entities. LifeROOTS, Inc. is obligated to provide certain fringe benefits under these contracts. The fringe benefit amount is \$4.02 and \$3.71 per hour for the years ended June 30, 2015 and 2014, respectively. Amounts contributed by LifeROOTS, Inc. into the plan totaled \$245,816 and \$215,892 for the years ended June 30, 2015 and 2014, respectively.

NOTE M - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	2015	2014
Restricted for time:		
Charitable trusts	\$ 706,511	\$ -
Transporation program	103,231	-
United Way	68,128	60,430
Restricted for purpose:		
Transporation program	26,000	-
	<u>\$ 903,870</u>	<u>\$ 60,430</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE M - TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

Temporarily restricted net assets are released from donor restrictions as expenses are incurred to satisfy the restricted purpose, or due to the passage of time, as follows:

	<u>2015</u>	<u>2014</u>
Time restriction accomplished:		
United Way	\$ 60,430	\$ 61,030
	<u>\$ 60,430</u>	<u>\$ 61,030</u>

NOTE N - CONTINGENCIES

The grants and contracts operated by LifeROOTS, Inc. are subject to a closing audit process by federal granting agencies subsequent to the end of a grant period. At this time, no reasonable estimate can be made as to adjustments in amounts, if any, due to or from grantors that may result from the closing process. Actual costs reported in the accompanying Statements of Activities and Changes in Net Assets, and for prior years since inception of ongoing grants, exceeded billed costs, and management believes no material reimbursements to granting agencies are due.

NOTE O - RELATED PARTY TRANSACTIONS

The Board of Directors and certain employees contribute various amounts in general support of LifeROOTS, Inc. A certain Board of Directors member is also an officer of a bank with which LifeROOTS, Inc. maintains a cash account on deposit. LifeROOTS, Inc. also has an outstanding vehicle loan with this same bank (see Note I). Another certain Board of Directors member is the owner of an insurance agency that LifeROOTS, Inc. utilizes to obtain various lines of insurance. The approximate amount of premiums associated with these policies is \$70,000, which is paid to the respective insurance carriers.

NOTE P - CHARITABLE TRUSTS

The Organization has a 40% beneficiary share of a certain irrevocable trust. Upon the death of any of the last income beneficiaries, the trust terminates and the assets of the trust are distributed in full to the principal beneficiaries. The value of the trust at June 30, 2015, was \$1,305,609, of which the Organization's 40% share of the assets is \$522,244. The Organization presently has no management authority regarding how the trust is invested.

The Organization has a beneficiary share of a certain trust. The trust created two trusts - Trust A and Trust B. Upon the death of the last Trustor, the assets of Trust A are distributed according to the agreement. The Organization's share is 4%. The value of Trust A at June 30, 2015, was \$634,485, of which the Organization's 4% share of the assets is \$25,379. Upon the death of the last income beneficiary, the Trust B terminates and the assets of the trust are distributed in full to the principle beneficiaries. The value of the Trust B at June 30, 2015 was \$794,443, of which the

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE P - CHARITABLE TRUSTS - CONTINUED

Organization's 20% share of the assets is \$158,888. The Organization presently has no management authority regarding how the trust is invested.

The value of these charitable trusts did not become known to management until fiscal year 2015 and have been recorded as an increase to temporarily restricted net assets during the year as allowed by generally accepted accounting principles.

NOTE Q - NEW ACCOUNTING STANDARD

The FASB has recently issued Accounting Standards Update (ASU) 2014-09, (*Topic 606*): *Revenue from Contracts with Customers* that was designed to develop a common revenue standard for U.S. GAAP and international standards. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Steps to apply the core principle are as follows:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Several new disclosures will also be required to include sufficient information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU will be effective for annual periods beginning after December 15, 2018.

As of the date of these financial statements, management has not determined the impact this new ASU will have on future reporting periods.

SUPPLEMENTARY INFORMATION



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

INDEPENDENT AUDITOR'S 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

Board of Directors
LifeROOTS, Inc.

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, the financial statements of LifeROOTS, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2015, 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 the financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LifeROOTS, Inc.'s internal control over financial reporting (internal control) to determine the 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 LifeROOTS, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

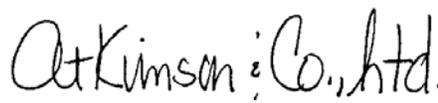
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LifeROOTS, Inc.'s financial statements are free of 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 determination of financial statement amounts. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 16, 2015

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2015

I. Summary of Auditor's Results

- A. An unmodified opinion was issued on the financial statements of LifeROOTS, Inc.
- B. No instances of noncompliance with laws and regulations or the provisions of contracts and grant agreements that are material to the financial statements were disclosed during the audit.
- C. Internal control over financial reporting:
 - Material weaknesses identified Yes No
 - Significant deficiencies identified Yes None Reported

II. Financial Statement Audit Findings

None

III. Financial Statement Audit Findings – Prior year

None

LifeROOTS, Inc.

IDENTIFICATION OF AUDIT PRINCIPAL

For the year ended June 30, 2015

Audit Principal:	<u>Barbara A. Lewis, CPA</u>
Name and address of independent accounting firm:	<u>Atkinson & Co., Ltd.</u> <u>6501 Americas Parkway NE</u> <u>Suite 700</u> <u>Albuquerque, New Mexico 87110</u>
Audit period:	<u>Year ended June 30, 2015</u>
Telephone Number:	<u>(505) 843-6492</u>
Federal Employee ID Number:	<u>85-0211867</u>

ATKINSON & CO. LTD.
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ALBUQUERQUE, NM
T 505 843 6492
F 505 843 6817

RIO RANCHO, NM
T 505 891 8111
F 505 891 9169

ATKINSONCPA.COM

