

LIFEROOTS, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2021 AND 2020



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LIFEROOTS, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020

AUDITOR DISCLOSURE INFORMATION	1
OFFICIAL ROSTER	2
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	7
STATEMENTS OF FUNCTIONAL EXPENSES	9
STATEMENTS OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	13
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' 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	30
SCHEDULE OF FINDINGS AND RESPONSES	32

**LIFEROOTS, INC.
AUDITOR DISCLOSURE INFORMATION
YEARS ENDED JUNE 30, 2021 AND 2020**

INDEPENDENT AUDITOR

CliftonLarsonAllen LLP

AUDIT PRINCIPAL

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**LIFEROOTS, INC.
OFFICIAL ROSTER
JUNE 30, 2021 AND 2020**

Board of Directors

Jeanne Vigil	Chairman
Maggie Silva	Vice Chairman
Dawn Esquibel	Treasurer
Carol Epstein	Secretary
Leslie Stickler	Director
Myron Saldyt	Director
Carol Guerra	Director
Catherine Salazar	Director

Administrative Personnel

Matthew Molina	CEO/President
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INDEPENDENT AUDITORS' REPORT

Board of Directors
LifeROOTS, Inc.
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of LifeROOTS, Inc. (a nonprofit organization), which comprise the financial position as of June 30, 2021, 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.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 auditors' 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, 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, 2021, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

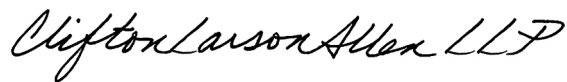
Adjustment to Prior Period Financial Statements

The 2020 financial statements of LifeROOTS, Inc. were audited by Atkinson & Co., Ltd., whose shareholders and professional staff joined CliftonLarsonAllen LLP as of December 1, 2020, and has subsequently ceased operations. Atkinson & Co., Ltd.'s report dated November 30, 2020, expressed an unmodified opinion on those statements. LifeROOTS, Inc. has adjusted its financial statements to retrospectively correct the fair value of LifeROOTS, Inc.'s beneficial interest in charitable remainder trusts for 2020. Atkinson & Co., Ltd. reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2021 financial statements, we also audited the adjustment to the financial statements to retrospectively apply a change in fair value of charitable remainder trusts as described in Note 20. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, 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 solely 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
March 24, 2022

LIFEROOTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	2021	(As Restated) 2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,606,287	\$ 842,353
Accounts Receivable, Less Allowance for Doubtful Accounts of \$10,077 in both 2021 and 2020	117,074	118,217
Contracts Receivable	440,654	390,506
Unconditional Promises to Give - United Way	-	52,875
Inventories	9,055	10,330
Prepaid Expenses	14,850	25,975
Total Current Assets	2,187,920	1,440,256
 INVESTMENTS	7,739	3,928
 PROPERTY AND EQUIPMENT, Net	3,235,510	3,364,591
 OTHER ASSETS		
Beneficial Interest in Charitable Trusts	596,176	514,131
Agency Trust Deposits	63,946	25,871
Total Other Assets	660,122	540,002
Total Assets	\$ 6,091,291	\$ 5,348,777

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2021 AND 2020

	2021	(As Restated) 2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 192,331	\$ 349,194
Accrued Payroll and Related Taxes	110,988	124,852
Accrued Compensated Absences	81,519	117,457
Other Liabilities	1,081	455
Refundable Advance	831,869	1,032,110
Current Portion of Capital Lease Obligation	12,285	11,343
Current Portion of Long-Term Debt, Less Unamortized Debt Issuance Costs	59,034	63,945
Total Current Liabilities	1,289,107	1,699,356
LONG-TERM DEBT , Less Current Portion and Unamortized Debt Issuance Costs	1,810,433	1,857,229
CAPITAL LEASE OBLIGATION , Less Current Portion	22,782	35,067
Total Liabilities	3,122,322	3,591,652
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions	2,372,793	1,190,119
With Donor Restrictions	596,176	567,006
Total Net Assets	2,968,969	1,757,125
Total Liabilities and Net Assets	\$ 6,091,291	\$ 5,348,777

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Revenue:			
Program Service Revenue:			
SourceAmerica and Other Service Contracts	\$ 4,701,554	\$ -	\$ 4,701,554
Program Services Fees	709,901	-	709,901
New Mexico Department of Health Contracts	109,390	-	109,390
Other Income	29,206	-	29,206
Interest Income	967	-	967
Investment Gain, Net	3,811	-	3,811
Total Revenue	5,554,829	-	5,554,829
Support:			
Grants	9,501	-	9,501
Contributions:			
Paycheck Protection Program (PPP) Funding	1,242,229	-	1,242,229
Monetary	23,522	-	23,522
In-Kind	7,946	-	7,946
Change in Value of Charitable Trusts	-	82,045	82,045
Total Support	1,283,198	82,045	1,365,243
Total Revenue and Support	6,838,027	82,045	6,920,072
Net Assets Released from Restrictions	52,875	(52,875)	-
EXPENSES			
Program Services:			
Contracts:			
Custodial	3,540,009	-	3,540,009
Landscaping and Grounds Keeping	116,550	-	116,550
Children and Therapy	566,854	-	566,854
Adult Enrichment Services:			
Day Habilitation	229,132	-	229,132
Vocational Services	251,394	-	251,394
Career Discovery	13,322	-	13,322
Literacy	15,594	-	15,594
Total Program Services	4,732,855	-	4,732,855
Supporting Services:			
Management and General	920,997	-	920,997
Fundraising	54,376	-	54,376
Total Supporting Services	975,373	-	975,373
Total Expenses	5,708,228	-	5,708,228
CHANGES IN NET ASSETS	1,182,674	29,170	1,211,844
Net Assets - Beginning of Year	1,190,119	567,006	1,757,125
NET ASSETS - END OF YEAR	\$ 2,372,793	\$ 596,176	\$ 2,968,969

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – AS RESTATED (CONTINUED)
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Revenue:			
Program Service Revenue:			
SourceAmerica and Other Service Contracts	\$ 4,301,416	\$ -	\$ 4,301,416
Program Services Fees	1,538,960	-	1,538,960
New Mexico Department of Health Contracts	918,422	-	918,422
Other Income	93,482	-	93,482
Interest Income	29	-	29
Investment Loss, Net	(2,114)	-	(2,114)
Total Revenue	6,850,195	-	6,850,195
Support:			
United Way Allocations	-	52,875	52,875
Grants	7,150	-	7,150
Contributions:			
Monetary	59,854	-	59,854
In-Kind	14,840	-	14,840
Change in Value of Charitable Trusts	-	(6,890)	(6,890)
Total Support	81,844	45,985	127,829
Total Revenue and Support	6,932,039	45,985	6,978,024
Net Assets Released From Restrictions	182,486	(182,486)	-
EXPENSES			
Program Services:			
Contracts:			
Custodial	3,608,260	-	3,608,260
Landscaping and Grounds Keeping	153,206	-	153,206
Children and Therapy	967,524	-	967,524
Adult Enrichment Services:			
Day Habilitation	768,809	-	768,809
Vocational Services	479,126	-	479,126
Career Discovery	125,835	-	125,835
Literacy	134,539	-	134,539
Total Program Services	6,237,299	-	6,237,299
Supporting Services:			
Management and General	1,062,903	-	1,062,903
Fundraising	106,426	-	106,426
Total Supporting Services	1,169,329	-	1,169,329
Total Expenses	7,406,628	-	7,406,628
CHANGES IN NET ASSETS	(292,103)	(136,501)	(428,604)
Net Assets - Beginning of Year, as Previously Reported	1,482,222	870,400	2,352,622
Prior Period Adjustment, See Note 20	-	(166,893)	(166,893)
Net Assets - Beginning of Year, as Restated	1,482,222	703,507	2,185,729
NET ASSETS - END OF YEAR	\$ 1,190,119	\$ 567,006	\$ 1,757,125

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services							Supporting Services			Total Expenses
	Contracts		Children and Therapy	Adult Enrichment Services				Total Program Services	Management and General	Fundraising	
	Custodial	Landscaping and Grounds Keeping		Day Habilitation	Vocational Services	Career Discovery	Literacy				
Salaries and Related Expenses:											
Salaries and Wages	\$ 351,555	\$ 2,068	\$ 283,843	\$ 69,532	\$ 188,256	\$ -	\$ -	\$ 895,254	\$ 496,906	\$ 7,470	\$ 1,399,630
Clients and Other	1,153,262	69,494	-	-	-	-	-	1,222,756	-	-	1,222,756
Fringe Benefits	167,738	4,246	7,677	9,009	28,645	748	288	218,351	39,048	-	257,399
Payroll Taxes	127,049	16,304	23,193	7,152	18,811	-	-	192,509	52,220	615	245,344
Total Salaries and Related Expenses	1,799,604	92,112	314,713	85,693	235,712	748	288	2,528,870	588,174	8,085	3,125,129
Other Expenses:											
Contract Labor	1,331,523	4,789	175,143	60	-	-	-	1,511,515	14,572	-	1,526,087
Supplies	155,120	1,415	737	450	40	33	91	157,886	644	-	158,530
Commissions	130,410	-	-	-	-	-	-	130,410	-	-	130,410
Insurance	2,150	-	23,824	2,503	715	536	5,191	34,919	79,122	-	114,041
Interest	4,596	-	11,360	31,490	328	8,779	2,534	59,087	36,283	-	95,370
Professional Fees	5,993	-	16,498	1,750	685	353	3,419	28,698	52,115	-	80,813
Repairs and Maintenance	29,128	7,008	7,370	9,650	337	232	1,373	55,098	20,937	-	76,035
Advertising and Marketing	191	-	1,623	-	-	-	-	1,814	1,272	45,178	48,264
Utilities	1,504	-	4,397	14,718	132	99	958	21,808	14,600	-	36,408
Transportation Services	24,215	1,147	86	119	4,256	-	-	29,823	731	-	30,554
Bad Debt Expense	26,922	-	19	-	2,877	-	-	29,818	-	-	29,818
Telephone	4,667	225	1,642	3,876	2,475	948	1,435	15,268	10,182	-	25,450
Equipment Purchases	9,181	1,448	1,277	4,349	3,342	1,324	138	21,059	1,888	-	22,947
Dues and Subscriptions	2,276	-	360	354	-	-	-	2,990	14,264	-	17,254
Employment Screening	4,563	649	1,025	-	485	-	-	6,722	1,483	346	8,551
In-Kind Expenses	-	-	-	-	-	-	-	-	7,446	500	7,946
Miscellaneous	926	405	85	225	-	-	-	1,641	2,485	224	4,350
Office Expense	430	19	200	75	-	-	-	724	3,196	43	3,963
Bank and Investment Fees	-	-	-	-	-	-	-	-	2,696	-	2,696
Postage	125	113	455	-	10	-	-	703	1,118	-	1,821
Rent	185	-	94	186	-	-	-	465	381	-	846
Total Expenses Before Depreciation and Amortization	3,533,709	109,330	560,908	155,498	251,394	13,052	15,427	4,639,318	853,589	54,376	5,547,283
Depreciation and Amortization	6,300	7,220	5,946	73,634	-	270	167	93,537	67,408	-	160,945
Total Expenses by Function	\$ 3,540,009	\$ 116,550	\$ 566,854	\$ 229,132	\$ 251,394	\$ 13,322	\$ 15,594	\$ 4,732,855	\$ 920,997	\$ 54,376	\$ 5,708,228

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2020

	Program Services							Supporting Services			
	Contracts		Adult Enrichment Services					Total Program Services	Management and General	Fundraising	Total Expenses
	Custodial	Landscaping and Grounds Keeping	Children and Therapy	Day Habilitation	Vocational Services	Career Discovery	Literacy				
Salaries and Related Expenses:											
Salaries and Wages	\$ 440,331	\$ 34,380	\$ 476,550	\$ 482,862	\$ 342,093	\$ 89,816	\$ 100,931	\$ 1,966,963	\$ 631,053	\$ 26,914	\$ 2,624,930
Clients and Other	1,000,749	79,040	-	573	27,194	1,794	-	1,109,350	442	-	1,109,792
Fringe Benefits	313,599	2,249	27,757	21,408	28,942	1,735	1,481	397,171	43,425	1,990	442,586
Payroll Taxes	149,338	14,184	58,828	49,481	44,726	9,201	12,925	338,683	42,054	1,919	382,656
Total Salaries and Related Expenses	1,904,017	129,853	563,135	554,324	442,955	102,546	115,337	3,812,167	716,974	30,823	4,559,964
Other Expenses:											
Contract Labor	1,323,598	-	294,298	2,870	-	-	-	1,620,766	1,091	210	1,622,067
Supplies	166,356	2,366	2,718	5,714	397	5,608	616	183,775	4,961	-	188,736
Commissions	124,834	-	-	-	-	-	-	124,834	-	-	124,834
Professional Fees	8,299	-	17,646	2,547	5,572	382	3,784	38,230	55,842	31	94,103
Interest	4,975	-	10,739	32,168	307	8,244	2,370	58,803	33,572	-	92,375
Bad Debt Expense	3,398	300	25,019	42,097	8,486	6,445	4,058	89,803	-	-	89,803
Insurance	1,694	-	18,767	1,971	563	422	4,089	27,506	61,662	-	89,168
Repairs and Maintenance	18,294	5,082	9,059	11,949	791	618	1,281	47,074	19,322	-	66,396
Transportation Services	24,730	5,146	8,221	3,675	9,471	298	419	51,960	1,302	225	53,487
Advertising and Marketing	-	25	50	-	25	-	-	100	2,988	50,280	53,368
Utilities	2,050	-	5,369	21,483	161	121	1,170	30,354	17,639	-	47,993
Miscellaneous	670	475	-	1,174	1,040	71	52	3,482	25,111	15,255	43,848
Telephone	4,795	565	1,851	5,075	2,921	73	174	15,454	12,886	89	28,429
Dues and Subscriptions	794	73	155	4,249	-	-	100	5,371	20,155	50	25,576
Equipment Purchases	6,249	1,447	664	1,480	2,414	95	121	12,470	7,041	53	19,564
In-Kind Expenses	-	-	-	125	-	-	-	125	6,230	8,485	14,840
Office Expense	841	61	3,124	1,179	2,927	258	313	8,703	3,911	852	13,466
Employment Screening	5,392	1,021	379	2,421	857	384	476	10,930	725	73	11,728
Bank and Investment Fees	-	-	-	-	-	-	-	-	3,693	-	3,693
Postage	30	-	290	-	239	-	-	559	1,296	-	1,855
Meetings and Conferences	571	-	-	-	-	-	-	571	851	-	1,422
Rent	185	-	94	186	-	-	-	465	571	-	1,036
Total Expenses Before Depreciation and Amortization	3,601,772	146,414	961,578	694,687	479,126	125,565	134,360	6,143,502	997,823	106,426	7,247,751
Depreciation and Amortization	6,488	6,792	5,946	74,122	-	270	179	93,797	65,080	-	158,877
Total Expenses by Function	\$ 3,608,260	\$ 153,206	\$ 967,524	\$ 768,809	\$ 479,126	\$ 125,835	\$ 134,539	\$ 6,237,299	\$ 1,062,903	\$ 106,426	\$ 7,406,628

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	(As Restated) 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Contract Service Fees Received	\$ 4,630,259	\$ 4,318,836
Program Services Fees Received	730,893	1,646,514
New Mexico Department of Health Contract Fees Received	81,496	952,347
Contributions Received	1,117,938	229,490
Other Cash Receipts	30,173	1,126,149
Payments for Salaries, Benefits and Payroll Taxes	(3,174,931)	(4,621,724)
Payments to Vendors	(2,471,558)	(2,465,840)
Interest Paid	(84,258)	(88,007)
Net Cash Provided by Operating Activities	860,012	1,097,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(31,864)	(165,821)
Net Cash Used by Investing Activities	(31,864)	(165,821)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Payments) On Line-Of-Credit	-	(120,000)
Principal Payments On Long-Term Debt	(52,871)	(43,254)
Principal Payments On Capital Lease Obligation	(11,343)	(10,474)
Net Cash Used by Financing Activities	(64,214)	(173,728)
NET INCREASE IN CASH AND CASH EQUIVALENTS	763,934	758,216
Cash and Cash Equivalents - Beginning of Year	842,353	84,137
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,606,287	\$ 842,353

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	(As Restated) 2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,211,844	\$ (428,604)
Adjustments to Reconcile Changes in Net Assets To		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	160,945	158,877
Change in Value of Beneficial Interest in Charitable Trusts	(82,045)	6,890
Net Unrealized (Gain) Loss On Investments	(3,811)	2,114
Provision for Bad Debts	29,818	89,803
Amortization of Debt Issuance Costs	1,164	4,368
(Increases) Decreases in Operating Assets:		
Contracts Receivable	(53,044)	39,269
Accounts Receivable	(25,779)	242,504
Unconditional Promises to Give	52,875	(10,575)
Inventories	1,275	(4,480)
Prepaid Expenses	11,125	30,449
Agency Trust Deposits	(38,075)	3,684
Increases (Decreases) in Operating Liabilities:		
Accounts Payable	(156,863)	(4,724)
Accrued Payroll and Related Taxes	(13,864)	(52,532)
Accrued Compensated Absences	(35,938)	(9,228)
Other Liabilities	626	(2,160)
Refundable Advance	(200,241)	1,032,110
Net Cash Provided by Operating Activities	\$ 860,012	\$ 1,097,765
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donation of Materials, Supplies, and Services	\$ 7,946	\$ 14,840
Payroll Protection Program Interest Forgiven	\$ 9,948	\$ -

See accompanying Notes to Financial Statements.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

LifeROOTS, Inc. (the Organization) is a New Mexico nonprofit organization organized in 1958 to provide appropriate education, treatment, and other services for developmentally, physically, and/or emotionally disabled adults and children. LifeROOTS, Inc. provides people with disabilities and their families the resources and support they need to empower their lives and shape their futures. 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 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 AbilityOne program, which creates employment opportunities for people with severe disabilities. Examples of these employment opportunities include custodial, landscaping and grounds keeping, and package and assembly positions. In addition, other employment opportunities are created outside of the federal AbilityOne program for individuals with disabilities. Many of these employees are supported on the job through the vocational services program.

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 city contracts with a growing number of residential grounds keeping contracts. All employee opportunities earn Albuquerque minimum wage or are hired in integrated settings.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Children and Therapy Services

Children Services – The majority of services through this division are through the state of New Mexico’s Family Infant Toddler (FIT) program. FIT services provide therapeutic support for children ages birth to three by working with families to identify the needs of children who may have disabilities or 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:

- Screenings and assessments, including hearing, vision and M-CHAT-R/F Autism Screen
- Developmental evaluations and services
- Activities to develop learning skills and to help social and emotional development
- Feeding services
- Speech, occupational, and physical therapies
- Parenting classes
- Service coordination
- Educational playgroup

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

- Occupational therapy – helps people learn gross motor skills and adapt to changing 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 and includes the assistance of a feeding specialist.

Adult Enrichment Services

Day Habilitation – Day Habilitation serves adults with developmental disabilities by providing integrated and individualized community-based services. Areas of focus include: assisting with self-help skills, mobility, daily living skills, community service, socialization, community integration, and pre-vocational programs including community employment and discovery.

Vocational Services – Provide opportunities in the world of work to adults with disabilities. The Organization matches individuals with employers to jobs that fit both parties’ needs and abilities. This includes job discovery, job development, training, placement, and maintenance.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Adult Enrichment Services (Continued)

Career Discovery – Provides opportunities for adults with disabilities to discover and create personalized careers. The Organization assists individuals in assessing the variety of available jobs and developing strategies needed to obtain employment in those jobs.

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 databases, while preparing for employment in the workplace; or individuals currently employed can maintain employment by continued studies. The Literacy program consists of four units:

- Career Readiness
- Language Arts
- Math
- Continued Learning

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

Significant Accounting Policies

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:

Net Assets Without Donor Restrictions – represent net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – represent net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of LifeROOTS, Inc. and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. LifeROOTS, Inc. does not have any donor-imposed restrictions that are perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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. Significant estimates included in the accompanying financial statements include the allowance for doubtful accounts, the fair value of the beneficial interest in charitable trusts and depreciation of property and equipment.

Concentrations of Credit Risk

LifeROOTS, Inc. maintains its cash depository accounts with various financial institutions. 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.

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.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts of goods and equipment as without donor restriction 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 when the assets are placed in service.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Accounts and Contracts Receivable

Accounts and contracts receivable are recorded at net realizable value and are evaluated for collectability 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 contracts receivable. An allowance of \$10,077 was recorded for certain accounts receivable at June 30, 2021 and 2020. No allowance was recorded for certain contracts receivable at June 30, 2021 and 2020. Contract revenue is billed and recognized as revenue as services are rendered under the respective contract.

Inventories

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

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:

Buildings and Improvements	15 to 39 Years
Furniture, Fixtures, and Equipment	3 to 15 Years
Vehicles	5 to 15 Years

Assets donated with explicit restrictions regarding their use and contributions of cash earmarked to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Revenue and Revenue Recognition

Program service fee revenues from janitorial, grounds keeping, early invention services, development disabilities services and other vocational services are recognized at the estimated realizable amounts when the performance obligation of providing the services are met and transferred at a point in time. Third-party payors, New Mexico Department of Health and New Mexico Department of Human Services revenues are also recognized when the performance obligation of providing the services are met and transferred at a point in time.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

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 U.S. GAAP, 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 \$7,946 and \$14,840 for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

LifeROOTS, Inc. is a nonprofit 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, 2021 and 2020, 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 2018.

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 using a square-footage basis, number of employees, or both.

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. There was no advertising expenses recorded as prepaid expenses at June 30, 2021 and 2020.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Change in Accounting Principle

During 2021, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* and all related amendments (new revenue standard) with respect to all contracts using the modified retrospective method. Certain government contracts, service contracts, and program service fees are recognized at a point in time as the services are performed. The revenue recognition model applied to the contract with customers under the new revenue standard resulted in no material change in recognition. Therefore, there was no adjustment to opening net assets.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement information to conform to the 2021 presentation.

Subsequent Events

Subsequent events have been evaluated through March 24, 2022, 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, 2021. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following and June 30:

	2021	2020
Cash and Cash Equivalents	\$ 1,606,287	\$ 842,353
Accounts Receivable, Net	117,074	118,217
Contracts Receivable	440,654	390,506
Promises to Give	-	52,875
Investments	7,739	3,928
Total	<u>\$ 2,171,754</u>	<u>\$ 1,407,879</u>

As part of the Organization's liquidity plan, cash in excess of daily requirements is maintained in a money market account making it available for any unexpected liquidity needs. The Organization also has a total of \$300,000 available to draw against on outstanding lines-of-credit.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 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>2021</u>	<u>2020</u>
Medicaid/DOH	\$ 111,078	\$ 106,445
Vocational Services	16,073	21,849
Less: Allowance for Doubtful Accounts	<u>(10,077)</u>	<u>(10,077)</u>
Total	<u>\$ 117,074</u>	<u>\$ 118,217</u>
<u>Contracts Receivable</u>		
Kirtland Air Force Base	\$ 235,312	\$ 231,178
Horizons of New Mexico	118,092	74,832
General Services	50,739	54,028
Adelante Development Corporation	21,600	21,496
Other	8,384	8,219
National Assessment Group	<u>6,527</u>	<u>753</u>
Total	<u>\$ 440,654</u>	<u>\$ 390,506</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Buildings and Improvements	\$ 3,362,578	\$ 3,353,398
Furniture, Fixtures, and Equipment	434,205	416,207
Vehicles	878,370	873,684
Leased Equipment	<u>60,194</u>	<u>60,194</u>
Subtotal	4,735,347	4,703,483
Less: Accumulated Depreciation and Amortization	<u>(2,004,837)</u>	<u>(1,843,892)</u>
Subtotal	2,730,510	2,859,591
Land	<u>505,000</u>	<u>505,000</u>
Total Property and Equipment	<u>\$ 3,235,510</u>	<u>\$ 3,364,591</u>

Depreciation expense was \$160,945 and \$158,877 for the years ended June 30, 2021 and 2020, respectively.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 FAIR VALUE MEASUREMENTS

U.S. GAAP 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.

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, 2021 and 2020.

Equity Securities: 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. LifeROOTS, Inc. is considered to have a unit of interest in the trust and therefore this investment is treated as a Level 3 investment. Unobservable inputs would include the amount and timing of future distributions from the trust.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021 and 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2021</u>				
Charitable Trusts	\$ -	\$ -	\$ 596,176	\$ 596,176
Equity Securities	7,739	-	-	7,739
Total	<u>\$ 7,739</u>	<u>\$ -</u>	<u>\$ 596,176</u>	<u>\$ 603,915</u>
<u>June 30, 2020 (As Restated)</u>				
Charitable Trusts	\$ -	\$ -	\$ 514,131	\$ 514,131
Equity Securities	3,928	-	-	3,928
Total	<u>\$ 3,928</u>	<u>\$ -</u>	<u>\$ 514,131</u>	<u>\$ 518,059</u>

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides a reconciliation of the level 3 measurements:

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 514,131	\$ 521,021
Unrealized gains (losses)	82,045	(6,890)
Ending Balance	<u>\$ 596,176</u>	<u>\$ 514,131</u>

NOTE 6 AVAILABLE CREDIT

The Organization has obtained several credit cards with a maximum aggregate limit of \$146,000. The outstanding balances on credit cards was \$0 and \$10,269 in total at June 30, 2021 and 2020, respectively, and are included in accounts payable in the accompanying financial statements. The credit cards bear interest at rates ranging from 10.49% to 13.99% on any outstanding balances and no collateral is required.

NOTE 7 OPERATING LEASE OBLIGATION

LifeROOTS, Inc. has a noncancelable operating lease, for postage equipment, that expires in June 2022. Rental expense for this lease was \$360 for both years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under the noncancelable operating lease are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 360</u>

NOTE 8 CAPITAL LEASE OBLIGATION

LifeROOTS, Inc. leases office equipment under a capital lease expiring in 2024. 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 the capital lease:

Office Equipment	\$ 60,194
Accumulated Depreciation	(28,088)
Total	<u>\$ 32,106</u>

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 CAPITAL LEASE OBLIGATION (CONTINUED)

Minimum future lease payments under the capital lease as of June 30, 2021 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 14,646
2023	14,646
2024	<u>9,764</u>
Net Minimum Lease Payments	39,056
Amount Representing Interest	<u>(3,989)</u>
Present Value of Net Minimum Lease Payments	35,067
Current Portion of Capital Lease Obligation	<u>12,285</u>
Capital Lease Obligation, Less Current Portion	<u><u>\$ 22,782</u></u>

NOTE 9 PAYCHECK PROTECTION PROGRAM

On May 7, 2020, LifeROOTS, Inc. received a low interest loan in the amount of \$1,032,110 under the Paycheck Protection Program (PPP) administered by the Small Business Administration as a result of the novel strain of coronavirus (COVID-19) outbreak. The PPP loan is unsecured and bears interest at 1%. Funds advanced under the program are subject to forgiveness to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period (the 24-week period beginning on the loan origination date). In addition, employers must maintain specified employment and wage levels, and submit adequate documentation of such expenditures to qualify for loan forgiveness.

On May 4, 2021, the Organization received a second low interest loan in the amount of \$1,032,040 under the PPP administered by the SBA as part of the CARES Act. The PPP loan is unsecured and bears interest at 1%. Funds advanced under the program are subject to forgiveness to the extent that employers incur and spend the funds on qualified expenditures.

The Organization accounts for the PPP loans as conditional contributions. Therefore, the loans are recorded as a refundable advance. As of June 30, 2021 and 2020, \$1,232,281 and \$-0- of the funds received under the PPP loan was spent on qualified expenditures plus interest of \$9,948 in 2021 and are recognized as contribution revenue in the accompanying financial statements. Management believes that all specific required employment and wage levels have also been meet. The Organization applied for and received forgiveness on the first PPP loan during fiscal year 2021. As of the date of these financial statements, the Organization has not applied for loan forgiveness for the second PPP loan; however, management believes the loan will be forgiven.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 LINES OF CREDIT

During fiscal year 2019, the Organization obtained a line of credit from a lending institution for an amount up to \$100,000. The line of credit is secured by the Organization's real estate, inventory, chattel paper, accounts, equipment and other properties and is subordinate to the mortgage notes payable. Draws on the line of credit bear interest at 8% at June 30, 2021 and 2020. The outstanding balance on the line of credit was \$-0- as of June 30, 2021 and 2020. The line of credit has a maturity date of December 15, 2022.

During 2016, the Organization obtained a bank line of credit for any amount up to \$200,000. The line of credit is secured by the Organization's inventory, chattel paper, accounts, equipment, and other properties. Draws on the line of credit bear interest at the bank's prime rate plus .50% (3.75% at both June 30, 2021 and 2020, respectively). The outstanding balance on the line of credit was \$-0- as of June 30, 2021 and 2020. The line of credit has no stated maturity date; however, it is due on demand.

NOTE 11 LONG-TERM DEBT

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Mortgage note payable to a bank, due in monthly installments of \$8,771 and one final installment of \$1,187,452, including principal and interest at 3.780%, maturing October 2026, net of unamortized debt issuance costs of \$4,292 and \$5,109 at June 30, 2021 and 2020, respectively. The monthly installments may be discounted using the auto payment feature offered by the bank. The effective interest rate does not differ significantly from the stated interest rate. This note is secured by the buildings.	\$ 1,467,061	\$ 1,497,130
Mortgage note payable to a bank, due in monthly installments of \$2,113 and one final installment of \$348,113, including principal and interest at 3.780%, maturing October 2026, net of unamortized debt issuance costs of \$1,822 and \$2,169 at June 30, 2021 and 2020, respectively. The installments may be discounted using the auto payment feature offered by the bank. The effective interest rate does not differ significantly from the stated interest rate. The note is secured by the buildings.	402,406	407,092

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2021</u>	<u>2020</u>
Note payable to a bank, due in monthly installments of \$490, including principal and interest at 8.750%, maturing November 2023. The note is secured by a vehicle. The note was paid off early in fiscal year 2021.	-	16,952
Total	1,869,467	1,921,174
Less: Current Portion	(59,034)	(63,945)
Total Long-Term Debt	<u>\$ 1,810,433</u>	<u>\$ 1,857,229</u>

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2022	\$ 59,034
2023	61,381
2024	63,821
2025	66,178
2026	68,983
Thereafter	1,550,070
Total	<u>\$ 1,869,467</u>

At June 30, 2021, the Organization was in compliance with all covenants required by its lenders.

NOTE 12 PRIMARY FUNDING SOURCES

A significant portion of the Organization's funding is received from the federal contract for custodial work with Kirtland Air Force Base which provided 42% and 40% of the total revenue for 2021 and 2020, respectively. A change in this funding source would require a change in operations.

NOTE 13 CLIENT SALARIES EXPENSE

Salaries to persons with disabilities, not including payroll taxes and employee benefits, for the years ended June 30, 2021 and 2020, totaled \$1,222,756 and \$1,109,792, respectively.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 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 effective July 1, 2018, to permit employer matching contributions for employees who have completed six months of service and are at least age 18. The matching contributions are 50% of 4% of compensation that equals a maximum of 2% of compensation per pay period. Amounts contributed by LifeROOTS, Inc. into the plan totaled \$6,782 and \$10,911 for the years ended June 30, 2021 and 2020.

LifeROOTS, Inc. also sponsors a health and welfare plan under US Code Title 29 CFR 4.165-4.175 and Internal Revenue Code 401(a) covering certain employees that perform services under contracts that enters LifeROOTS, Inc. 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 \$4.54 per hour for both years ended June 30, 2021 and 2020. Amounts contributed by LifeROOTS, Inc. into the plan totaled \$135,847 and \$291,246 for the years ended June 30, 2021 and 2020, respectively. During 2021, the Organization elected to start paying the fringe benefit in cash and is in the process of terminating the health and welfare plan.

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	2021	(As Restated) 2020
Subject to the Passage of Time:		
Charitable Trusts	\$ 596,176	\$ 514,131
United Way	-	52,875
Total Net Assets with Donor Restrictions	<u>\$ 596,176</u>	<u>\$ 567,006</u>

Net assets with donor restrictions are released from donor restrictions as expenses are incurred to satisfy the restricted purpose, or due to the passage of time, as follows for the years ended June 30:

	2021	(As Restated) 2020
Expiration of Time Restrictions:		
United Way	\$ 52,875	\$ 42,300
Transportation Program	-	120,186
Satisfaction of Purpose Restrictions:		
Transportation Program	-	20,000
Total Net Assets Released from Donor Restrictions	<u>\$ 52,875</u>	<u>\$ 182,486</u>

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 COMMITMENTS AND CONTINGENCIES

From time to time, the Organization is party to various legal actions arising in the normal course of business. Management believes there is no pending or threatened litigation against the Organization that would have a material impact on the accompanying financial statements.

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 17 RELATED PARTY TRANSACTIONS

The board of directors and certain employees contribute various amounts or provide services in general support of LifeROOTS, Inc. A certain board of directors member is also an officer of a bank with which LifeROOTS, Inc. maintains its operating cash account on deposit. Another Board 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 \$214,700, which is paid to the respective insurance carriers.

NOTE 18 CHARITABLE TRUSTS

The Organization has a 40% beneficiary share of a certain irrevocable trust. Upon the death of the last income beneficiaries, the trust terminates and the remaining assets of the trust are distributed in full to the principal beneficiaries. The value of the trust at June 30, 2021 and 2020, was \$1,273,994 and \$1,114,184, of which the Organization's 40% beneficial interest is \$346,300 and \$296,877, respectively. The Organization presently has no management authority regarding how the trust is invested.

The Organization has a 16.67% beneficiary share of a certain trust. Upon the death of the last income beneficiary, 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, 2021 and 2020 was \$1,499,257 and \$1,303,518, respectively, of which the Organization's 16.67% beneficial interest is \$249,876 and \$217,254, respectively. The Organization presently has no management authority regarding how the remaining trust is invested.

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 19 CONTRACTS WITH CUSTOMERS

The following table represents program service fee revenues for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Janitorial Services	\$ 4,486,365	\$ 4,143,806
Early Intervention Services	631,633	1,013,228
Development Disabilities Services	187,658	1,444,154
Grounds Keeping Services	159,945	91,689
Vocational Services	55,244	65,921
Total	<u>\$ 5,520,845</u>	<u>\$ 6,758,798</u>
Services Transferred at a Point in Time	<u>\$ 5,520,845</u>	<u>\$ 6,758,798</u>

Accounts and contract receivables at July 1, 2020 was \$760,113.

Since revenue is recognized when services are provided, there are no significant amounts of contract assets or liabilities at June 30, 2021 and 2020, respectively.

NOTE 20 PRIOR PERIOD ADJUSTMENT

During fiscal year 2021, LifeROOTS, Inc. determined the fair value of it's interest in a certain charitable trust did not consider future distributions to the surviving beneficiary. Using a present value of future cash flow distribution method, the Organization restated its financial statements for the year ended June 30, 2020. Net assets with donor restrictions at the beginning of 2020 were decreased by \$166,893. The effect of the restatement as of and for the year ended June 30, 2020 are as follows:

	<u>2020</u>	
	<u>As Previously Reported</u>	<u>Restated</u>
Beneficial Interest in Charitable Trusts	662,927	514,131
Net Assets With Donor Restrictions	715,802	567,006
Change in Value of Charitable Trusts	(24,987)	(6,890)
Changes In Net Assets Donor Restrictions	(154,598)	(136,501)
Changes In Net Assets	(446,701)	(428,604)

LIFEROOTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 21 NEW ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02 *Leases* (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statements of financial position and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statements of cash flows. This ASU is effective for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958) to increase the transparency of contributed nonfinancial assets. The amendments in this update enhance presentation and disclosure for contributed nonfinancial assets. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after June 15, 2021. Early adoption is permitted.

As of the date of these financial statements, management has evaluated these new ASUs and is working to implement the applicable guidance and requirements in the period the ASUs become effective.



**INDEPENDENT AUDITORS' 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.
Albuquerque, New Mexico

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, 2021, 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 March 24, 2022.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2021-001 that we considered to be a significant deficiency.

Compliance and Other Matters

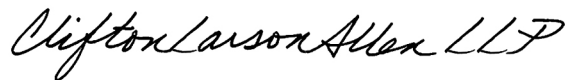
As part of obtaining reasonable assurance about whether LifeROOTS, Inc.’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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*.

LifeROOTS, Inc.’s Response to Finding

LifeROOTS’ response to the finding identified in our audit is described in the accompanying schedule of findings and responses. LifeROOTS’ response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
March 24, 2022

**LIFEROOTS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	___ <input checked="" type="checkbox"/> ___ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ <input checked="" type="checkbox"/> ___ yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	___ <input checked="" type="checkbox"/> ___ no

Section II – Current Year Financial Statement Findings

2021-001 Internal Control over Financial Reporting, Adjusting Journal Entries and Financial Close:

Type of Finding:

Significant Deficiency in Internal Control over Financial Reporting, Adjusting Journal Entries and Financial Close

Condition: The Organization did not reconcile and adjust certain financial account balances and certain adjusting journal entries prepared by the finance manager were not reviewed and approved by another appropriate individual.

Criteria: According to accounting principles generally accepted in the United States of America, all reporting of financial information must be materially accurate.

Effect: Journal entries recorded to the Organization’s financial records that have not been reviewed and approved by another responsible individual could result in inaccurate reporting of financial information. Material audit adjustments were made to properly report financial information including a prior period adjustment for the fair value of the Organization’s beneficial interest in charitable trusts.

Cause: The Organization experienced employee turnover and restrictions imposed as a result of COVID-19. This resulted in adjusting journal entries not being reviewed and approved by the Treasurer of the Board as had previously been performed and final adjustments were not made to all financial account balances as part of the year-end financial close as a result of employee turnover and time restrictions based on the timing of the hiring date of the new finance manager.

Recommendation: We recommend the Organization implement policies, procedures and checklists to ensure adjusting journal entries made to the financial accounting records be reviewed and approved, reconciliations on all account balances be performed and, where applicable, fair value calculations be performed prior to final year-end close to ensure that financial information reported is materially accurate.

LIFEROOTS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

Section II – Current Year Financial Statement Findings

Management Response: All journal entries prepared by Finance Department staff members are routinely reviewed and approved by the Finance Director. The Finance Department procedure is to have journal entries prepared by the Finance Director reviewed and approved by the Treasurer of the Board. In previous years, the Treasurer’s reviews took place in conjunction with Finance Committee meetings. However, the Committee meetings have been occurring over Zoom and the Finance Director neglected to set up an in-person meetings to allow for such reviews. The Finance Director will contact the Treasurer and have all the entries reviewed as soon as possible.

A checklist of general ledger accounts to be reconciled periodically will be added to the Director of Finance’s Succession Manual to ensure no accounts are overlooked going forward including any fair value calculations.

Section III – Prior Year Financial Statement Findings

None

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