

Roots Ethiopia, Inc.

Financial Report

December 31, 2021

ROOTS ETHIOPIA, INC.

CONTENTS

| | Page |
|---|------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statements of financial positions | 3 |
| Statement of activities - 2021 | 4 |
| Statement of activities - 2020 | 5 |
| Statement of functional expenses - 2021 | 6 |
| Statement of functional expenses - 2020 | 7 |
| Statement of cash flows | 8 |
| Notes to financial statements | 9 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Roots Ethiopia, Inc.
Madison, WI

Opinion

We have audited the accompanying financial statements of Roots Ethiopia, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roots Ethiopia, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Roots Ethiopia, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Roots Ethiopia, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Roots Ethiopia, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Roots Ethiopia, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

August 10, 2022

ROOTS ETHIOPIA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

| | 2021 | 2020 |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 381,451 | \$ 332,889 |
| Contribution receivable | 42,378 | 43,208 |
| Prepaid expenses | 1,514 | 1,200 |
| TOTAL ASSETS | \$ 425,343 | \$ 377,297 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 2,517 | \$ 7,324 |
| NET ASSETS | | |
| Without donor restrictions | 315,957 | 285,884 |
| With donor restrictions | 106,869 | 84,089 |
| Total net assets | 422,826 | 369,973 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 425,343 | \$ 377,297 |

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

ROOTS ETHIOPIA, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

| | Net assets without donor restrictions | Net assets with donor restrictions | Total |
|---|--|---------------------------------------|------------|
| Changes in net assets: | | | |
| Public support and revenues: | | | |
| Contributions | \$ 370,082 | \$ 127,870 | \$ 497,952 |
| Special events | 0 | 0 | 0 |
| Interest income | 57 | 0 | 57 |
| Net gain from sales of product | 5,211 | 0 | 5,211 |
| Net assets released from program restrictions | 105,090 | (105,090) | 0 |
| Total public support and revenues | 480,440 | 22,780 | 503,220 |
| Expenses: | | | |
| Program service: | | | |
| Job creation and education | 383,352 | 0 | 383,352 |
| Supporting services: | | | |
| Management and general | 28,492 | 0 | 28,492 |
| Fundraising | 38,523 | 0 | 38,523 |
| Total supporting services | 67,015 | 0 | 67,015 |
| Total expenses | 450,367 | 0 | 450,367 |
| Change in net assets | 30,073 | 22,780 | 52,853 |
| Net assets, beginning | 285,884 | 84,089 | 369,973 |
| Net assets, ending | \$ 315,957 | \$ 106,869 | \$ 422,826 |

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

ROOTS ETHIOPIA, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
Year ended December 31, 2020

| | Net assets without donor restrictions | Net assets with donor restrictions | Total |
|---|--|---------------------------------------|------------|
| Changes in net assets: | | | |
| Public support and revenues: | | | |
| Contributions | \$ 405,297 | \$ 124,791 | \$ 530,088 |
| Special events | 4,601 | 0 | 4,601 |
| Interest income | 118 | 0 | 118 |
| Net gain from sales of product | 4,097 | 0 | 4,097 |
| Net assets released from program restrictions | 124,030 | (124,030) | 0 |
| Total public support and revenues | 538,143 | 761 | 538,904 |
| Expenses: | | | |
| Program service: | | | |
| Job creation and education | 317,683 | 0 | 317,683 |
| Supporting services: | | | |
| Management and general | 18,611 | 0 | 18,611 |
| Fundraising | 39,413 | 0 | 39,413 |
| Total supporting services | 58,024 | 0 | 58,024 |
| Total expenses | 375,707 | 0 | 375,707 |
| Change in net assets | 162,436 | 761 | 163,197 |
| Net assets, beginning | 123,448 | 83,328 | 206,776 |
| Net assets, ending | \$ 285,884 | \$ 84,089 | \$ 369,973 |

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

ROOTS ETHIOPIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

| | Supporting services | | | Total |
|--------------------------------|---------------------|---------------------------|-------------|------------|
| | Program service | Management and general | Fundraising | |
| Materials and supplies | \$ 5,188 | \$ 0 | \$ 0 | \$ 5,188 |
| Merchant charges | 0 | 71 | 4,461 | 4,532 |
| Professional fees - other | 7,968 | 1,087 | 20,346 | 29,401 |
| Professional fees - accounting | 6,098 | 25,175 | 0 | 31,273 |
| Professional fees - legal | 2,760 | 0 | 8,059 | 10,819 |
| Grants | 359,836 | 0 | 0 | 359,836 |
| Bad debt expense | 0 | 0 | 0 | 0 |
| Information technology | 0 | 0 | 168 | 168 |
| Office expenses | 1,502 | 1,139 | 5,487 | 8,128 |
| Advertising | 0 | 0 | 0 | 0 |
| Insurance | 0 | 943 | 0 | 943 |
| Miscellaneous | 0 | 77 | 2 | 79 |
| | \$ 383,352 | \$ 28,492 | \$ 38,523 | \$ 450,367 |

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

ROOTS ETHIOPIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year ended December 31, 2020

| | <u>Supporting services</u> | | | <u>Total</u> |
|--------------------------------|----------------------------|-----------------------------------|--------------------|-------------------|
| | <u>Program service</u> | <u>Management and general</u> | <u>Fundraising</u> | |
| Materials and supplies | \$ 701 | \$ 67 | \$ 0 | \$ 768 |
| Merchant charges | 0 | 714 | 3,871 | 4,585 |
| Professional fees - other | 39,677 | 4,910 | 17,105 | 61,692 |
| Professional fees - accounting | 4,519 | 10,755 | 0 | 15,274 |
| Professional fees - legal | 1,457 | 89 | 9,310 | 10,856 |
| Grants | 271,288 | 0 | 0 | 271,288 |
| Bad debt expense | 0 | 150 | 0 | 150 |
| Information technology | 0 | 0 | 492 | 492 |
| Office expenses | 41 | 662 | 5,025 | 5,728 |
| Advertising | 0 | 0 | 10 | 10 |
| Insurance | 0 | 1,254 | 0 | 1,254 |
| Miscellaneous | 0 | 10 | 3,600 | 3,610 |
| | <u>\$ 317,683</u> | <u>\$ 18,611</u> | <u>\$ 39,413</u> | <u>\$ 375,707</u> |

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

ROOTS ETHIOPIA, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 52,853 | \$ 163,197 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Increase (decrease) in cash due to changes in: | | |
| Contribution receivable | 830 | (1,994) |
| Prepaid expenses | (314) | (357) |
| Accounts payable | (4,807) | 7,137 |
| | 48,562 | 167,983 |
| CASH FLOWS FROM INVESTING ACTIVITIES | 0 | 0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | 0 | 0 |
| Change in cash and cash equivalents | 48,562 | 167,983 |
| Cash and cash equivalents: | | |
| Beginning | 332,889 | 164,906 |
| Ending | \$ 381,451 | \$ 332,889 |

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

ROOTS ETHIOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A -- Nature of business and significant accounting policies

Nature of business

Roots Ethiopia, Inc. (the organization) was formed in 2012 as a non-stock, non-profit corporation. The organization was organized exclusively for charitable purposes, specifically the purpose of helping to break the cycle of poverty by empowering families, especially families headed by females, in the rural regions of Ethiopia. The focus of the organization involves the following: 1) assisting families in the rural areas to send their children to school, thereby positioning them for a better future, 2) supporting community education initiatives, especially those related to completing primary school, 3) assisting impoverished women to become self-supporting by providing the start-up funds for income generating activities and 4) supporting emergency nutritional support to vulnerable families during times of food security crisis. The combination of these purposes will help improve the lives of individuals, their families, and communities as a whole.

A summary of significant accounting policies follows:

Basis of accounting

The financial statements of the organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions have been limited by donor-imposed time or purpose restrictions or are required to be maintained in perpetuity.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Exempt status

The organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a public charity and not a private foundation. The organization is also exempt from Wisconsin income tax.

Cash and cash equivalents

For purposes of reporting cash flows, the organization considers all organization investments purchased with a maturity of three months or less to be cash equivalents.

The organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

ROOTS ETHIOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A -- Nature of business and significant accounting policies (Continued)

Contribution receivable

Contribution receivable represents donor contributions received via a fundraising software company and are owed to the organization within 15 days after month-end. The organization considers all contributions receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made. A contribution receivable is considered past due if amounts have not been received by the organization after 15 days.

Contribution revenue recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. The organization recognizes contributions when cash, securities, or other assets or an unconditional promise to give is received. Conditional promises to give are those that contain a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been met.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Subsequent events

These financial statements have not been updated for subsequent events occurring after August 10, 2022, which is the date these financial statements were available to be issued. The organization has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B -- Net assets with donor restrictions

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or use. Net assets with donor restrictions are available for the following purposes as of December 31:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|-------------------|------------------|
| Nutrition and relief | \$ 22,780 | \$ 0 |
| Self-help entrepreneurial groups | 18,819 | 18,819 |
| School sponsorships | <u>65,270</u> | <u>65,270</u> |
| | <u>\$ 106,869</u> | <u>\$ 84,089</u> |

ROOTS ETHIOPIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE C -- Availability of financial assets and liquidity

The organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. When a donor's restrictions require resources to be used in a particular manner or in a future period, the organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the organization's liquidity management and reserve funds policy, it strives to maintain an operating reserve equal to three months of general expenditures.

The following reflects the organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of donor-imposed restrictions, within one year of the statement of financial position date.

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Financial assets | \$ 423,829 | \$ 376,097 |
| Less those unavailable for general expenditures within one year due to: | | |
| Restricted by donor with time or purpose restrictions | <u>(106,869)</u> | <u>(84,089)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 316,960</u> | <u>\$ 292,008</u> |