

Roots of Peace

Financial Statements
and Single Audit Reports and Schedules

December 31, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Roots of Peace
San Rafael, California

We have audited the accompanying financial statements of Roots of Peace (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Roots of Peace as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 November 23, 2022, on our consideration of the Organization'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 effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Roots of Peace as of December 31, 2019, were audited by other auditors whose report dated December 23, 2020, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

November 23, 2022

Roots of Peace
 Statement of Financial Position
 December 31, 2020
 (With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,264,756	\$ 743,907
Accounts receivable	75,515	319,678
Prepaid and other current assets	61,260	44,518
Total current assets	2,401,531	1,108,103
Other assets	100,979	34,236
Total assets	\$ 2,502,510	\$ 1,142,339
LIABILITIES AND NET DEFICIT		
Current liabilities		
Accounts payable	\$ 436,639	\$ 270,772
Accrued expenses	243,388	170,730
Deferred revenue	2,481,322	1,262,128
Total current liabilities	3,161,349	1,703,630
Net deficit		
Without donor restrictions	(688,839)	(561,291)
With donor restrictions	30,000	-
Total net deficit	(658,839)	(561,291)
Total liabilities and net deficit	\$ 2,502,510	\$ 1,142,339

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

Roots of Peace
 Statement of Activities
 For the Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains, and other support				
Government contract revenue	\$ 8,782,112	\$ -	\$ 8,782,112	\$ 11,092,858
Cost sharing	-	-	-	3,402,182
Contributions	372,236	168,024	540,260	169,404
In-kind contributions	65,988	-	65,988	20,850
Paycheck Protection Program grant revenue	230,107	-	230,107	-
Gain (loss) on foreign exchange rate	1,636	-	1,636	(2,756)
Interest income	<u>274</u>	<u>-</u>	<u>274</u>	<u>135</u>
Net assets released from restriction	<u>138,024</u>	<u>(138,024)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>9,590,377</u>	<u>30,000</u>	<u>9,620,377</u>	<u>14,682,673</u>
Functional expenses				
Program services	7,569,377	-	7,569,377	12,047,722
Management and general	1,987,605	-	1,987,605	1,993,258
Fundraising	<u>66,943</u>	<u>-</u>	<u>66,943</u>	<u>1,750</u>
Total functional expenses	<u>9,623,925</u>	<u>-</u>	<u>9,623,925</u>	<u>14,042,730</u>
Change in net assets from operations	<u>(33,548)</u>	<u>30,000</u>	<u>(3,548)</u>	<u>639,943</u>
Non-operating				
Loss from wire fraud	<u>(94,000)</u>	<u>-</u>	<u>(94,000)</u>	<u>(1,250,000)</u>
Total non-operating	<u>(94,000)</u>	<u>-</u>	<u>(94,000)</u>	<u>(1,250,000)</u>
Change in net assets	(127,548)	30,000	(97,548)	(610,057)
Net deficit, beginning of year	<u>(561,291)</u>	<u>-</u>	<u>(561,291)</u>	<u>48,766</u>
Net assets (deficit), end of year	<u>\$ (688,839)</u>	<u>\$ 30,000</u>	<u>\$ (658,839)</u>	<u>\$ (561,291)</u>

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

Roots of Peace
 Statement of Functional Expenses
 For the Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	AMP	CBARD	CHAMP	Vietnam	Other	Total Program Services	Management and General	Fundraising	2020 Total	2019 Total
Personnel expenses	\$ 2,810,479	\$ 1,121,832	\$ 296,001	\$ 52,793	\$ 29,414	\$ 4,310,519	\$ 859,685	\$ 18,873	\$ 5,189,077	\$ 4,787,041
Cost sharing	-	-	-	-	-	-	-	-	-	3,402,182
Office supplies and equipment	776,959	738,160	1,387	104,252	48,879	1,669,637	61,391	-	1,731,028	2,879,140
Travel and vehicles	153,988	279,299	22,901	21,479	6,284	483,951	90,934	-	574,885	860,501
Consultants	135,412	63,992	9,615	6,265	-	215,284	366,506	37,575	619,365	617,890
Rent	288,658	116,045	20,771	1,036	3,470	429,980	94,464	-	524,444	607,113
Professional fees	79,234	32,322	9,435	1,579	5,008	127,578	265,909	-	393,487	262,878
Telephone and internet	70,031	39,362	11,959	1,061	221	122,634	36,060	-	158,694	125,705
Meetings and events	9,141	11,984	2,043	2,781	-	25,949	15,060	6,000	47,009	116,628
Miscellaneous	14,266	12,884	560	6,104	-	33,814	10,310	-	44,124	92,586
Licenses and fees	12,741	15,060	1,168	-	1,397	30,366	40,996	-	71,362	61,018
Temporary help	-	-	-	-	-	-	-	-	-	60,050
Dues and subscriptions	784	4,248	105	-	-	5,137	67,379	-	72,516	55,309
Printing and video production	1,717	261	-	22	-	2,000	5,798	4,495	12,293	39,634
Interest and bank fees	11,082	4,736	908	218	563	17,507	5,825	-	23,332	24,754
Insurance	83,274	5,336	-	-	-	88,610	54,299	-	142,909	22,913
Postage	2,851	136	3,424	-	-	6,411	12,989	-	19,400	21,508
Equipment rental	-	-	-	-	-	-	-	-	-	5,877
	<u>\$ 4,450,617</u>	<u>\$ 2,445,657</u>	<u>\$ 380,277</u>	<u>\$ 197,590</u>	<u>\$ 95,236</u>	<u>\$ 7,569,377</u>	<u>\$ 1,987,605</u>	<u>\$ 66,943</u>	<u>\$ 9,623,925</u>	<u>\$ 14,042,727</u>

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

Roots of Peace
 Statement of Cash Flows
 For the Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (97,548)	\$ (610,057)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Accounts receivable	244,163	(213,709)
Prepaid and other current assets	(16,742)	-
Other assets	(66,743)	755
Accounts payable	165,867	(40,248)
Accrued expenses	72,658	26,536
Deferred revenue	1,219,194	824,130
Net cash provided by (used in) operating activities	1,520,849	(12,593)
Cash flows from financing activities		
Principal payments on notes payable	-	(220,831)
Net cash provided by (used in) financing activities	-	(220,831)
Net increase (decrease) in cash and cash equivalents	1,520,849	(233,424)
Cash and cash equivalents, beginning of year	743,907	977,331
Cash and cash equivalents, end of year	\$ 2,264,756	\$ 743,907

Supplemental disclosure of cash flow information

Cash paid during the year interest	\$ -	\$ 24,754
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The accompanying notes are an integral part of these financial statements.

Roots of Peace
Notes to Financial Statements
December 31, 2020

1. NATURE OF OPERATIONS

Roots of Peace (the "Organization") was founded in 1997. The mission of the Organization is to support the world's most vulnerable farmers and traders, removing the remnants of war and restoring agricultural productivity and prosperity. Roots of Peace works with the private sector and international agencies to revitalize the country's agricultural sector by bringing demined land back into productive agricultural use and creating a harvest of hope for communities in landmine affected countries. As part of these efforts, Roots of Peace also works to demine and rebuild schools, roads, irrigation canals, and even playgrounds, as every child needs a safe place to play. As a result, the Organization has helped export nearly 160,000 metric tons of fruits, nuts, and spices valued at more than \$350 million to international markets, impacting more than one million farmers and families.

The Organization is primarily funded by government grants and private contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time, as well as net assets subject to donor-imposed stipulations that required they be maintained in perpetuity. The Organization held no net assets to be held in perpetuity as of December 31, 2020.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Roots of Peace
Notes to Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Accounts receivable

Accounts receivable are comprised of receivables due from governmental agencies and other third parties. The Organization uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. There was no allowance for doubtful accounts as of December 31, 2020 as all amounts are considered collectible.

Other assets

Other assets is comprised of donated wine to be used at dinners and events to be held with donors, partners and other supporters.

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of \$500 or more and estimated life greater than one year. As of December 31, 2020, all property and equipment assets were fully depreciated.

The Organization periodically evaluates whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognized if the estimated fair value of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value. There was no impairment loss recognized for the year ended December 31, 2020.

Roots of Peace
Notes to Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and the right of release/right of return no longer exists. Contributions that are promised in one year but are not expected to be collected until after the end of that year are considered contributions receivable and are recorded at fair value by discounting at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of the promise to give. There was no contributions receivable balance at December 31, 2020.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as government contract revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization received cost-reimbursable grants of \$34,343,141 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$2,481,322 recognized in the statement of financial position as deferred revenue (see Note 5).

In-kind contributions

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made. Donated services are recognized as contribution revenue at the fair value of those services, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2020, the Organization received in-kind contributions totaling \$65,988 which consisted of donated wine.

Cost sharing

The Organization incorporates a cost share component to all programs to engage program participants in a more sustainable manner and encourage them to be investors as opposed to recipients. Cost sharing is sometimes required by the donor as a condition for making an award and is recorded at fair value in the period received. For the year ended, December 31, 2020, the Organization had no cost sharing contributions.

Roots of Peace
Notes to Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of credit risks

The Organization places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization has not incurred losses related to these investments.

The primary receivable balance outstanding at December 31, 2020 consists of receivables from government contracts and non-government earned program fees. Concentration of credit risks with respect to receivables are limited, as the majority of the Organization's receivable consist of earned fees from contract programs granted by governmental agencies.

At December 31, 2020 66% of the Organization's accounts receivable balance was comprised of amounts due from two entities. The Organization had two donors that represented approximately 70% of contribution revenue for the year ended December 31, 2020. The Organization's government contract revenue was comprised of amounts from two government agencies for the year ended December 31, 2020.

Foreign exchange rate

Afghan currency ("AFN") and Vietnam currency ("VND") is translated into U.S. dollars ("USD") using the "translation method". The exchange rates at December 31, 2020 used to convert the balance sheet account balances into USD was 78.032 AFN to 1 USD and 23,071.78 VND to 1 USD. Revenue and expenses are translated using the average rate for the reporting period. A foreign currency translation adjustment gain was recorded in the amount of \$1,636 for the year ended December 31, 2020.

Functional allocation of expenses

Costs of providing the Organization's program and supporting services have been summarized on a functional basis in the statement of activities and functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on employee time incurred and management's estimate of the usage of resources.

Income taxes

Roots of Peace is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the and California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes has been recorded.

Roots of Peace
Notes to Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained, and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its current tax positions and has concluded that as of December 31, 2020, it does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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 or revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

For comparability, certain reclassifications have been made to December 31, 2019 balances to conform with the financial statement presentation used at December 31, 2020. Net assets and changes in net assets are unchanged due to these reclassifications.

Comparative totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Vehicles	\$ 39,000
Accumulated depreciation	<u>(39,000)</u>
	<u><u>\$ -</u></u>

There was no depreciation expense for the year ended December 31, 2020 as all assets were previously fully depreciated.

Roots of Peace
Notes to Financial Statements
December 31, 2020

4. ACCRUED EXPENSES

Accrued expenses consisted of the following:

Accrued vacation	\$ 161,810
Accrued salaries	48,797
Accrued pension payable	26,514
Other accrued liabilities	<u>6,267</u>
	<u>\$ 243,388</u>

5. DEFERRED REVENUE

Deferred revenue of \$1,970,427 at December 31, 2020 relates to cash advances drawn down for the Commercial Horticulture and Agriculture Marketing Program ("CHAMP") and the Agriculture Marketing Program ("AMP") both funded by the United States Agency for International Development ("USAID"). Deferred revenue of \$510,895 at December 31, 2020 relates to cash advances drawn down for the Community Based Agriculture and Rural Development ("CBARD") program funded by the United States Department of State.

6. PAYCHECK PROTECTION PROGRAM

On May 18, 2020, the Organization received loan proceeds of \$230,107 from a promissory note issued by a Bank of Marin, under the Paycheck Protection Program ("PPP") which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

The Organization has recognized the PPP loan as grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$230,107 as grant revenue for the year ended December 31, 2020 based on qualifying expenditures incurred under the loan during the year. In May 2021, the Organization received notification that the principal balance of the loan and accrued interest had been forgiven in full by the SBA (see Note 13).

7. COMMITMENTS AND CONTINGENCIES

Obligations under operating leases

The Organization leases office space in San Rafael, Afghanistan, and Vietnam under operating lease arrangements that expire at various dates through July 2024.

Roots of Peace
Notes to Financial Statements
December 31, 2020

7. COMMITMENTS AND CONTINGENCIES (continued)

Obligations under operating leases (continued)

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2021		\$	230,085
2022			253,924
2023			209,372
2024			124,694
			124,694
		\$	818,075

Total rent expense for the year ended December 31, 2020 totaled \$524,444.

Contracts

Certain grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose of such audits is to determine whether program funds were used in accordance with their respective guidelines and regulations. While management believes program funds were utilized in accordance with program guidelines, it is possible that funded program costs could ultimately be disallowed. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has recorded no additional provisions for the possible disallowance of program costs on its financial statements.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose			
Typhoon - Vietnam		\$	30,000

Net assets with donor restrictions released from restriction during the year were as follows:

Polio - Other		\$	100,000
COVID-19 relief - Other			9,022
Drip irrigation system - Vietnam			15,002
SHADE program - Vietnam			11,000
Typhoon - Vietnam			3,000
			3,000
		\$	138,024

Roots of Peace
Notes to Financial Statements
December 31, 2020

9. EMPLOYEE BENEFIT PLAN

The Organization offers an optional, tax-deferred 403(b) plan with Vanguard to all employees that are U.S. citizens paying U.S. state and federal taxes. Participants may contribute the maximum amount allowed by the Internal Revenue Code. In addition, participants qualifying for age-based provisions may contribute an additional catch-up deferral. For the first 6% that the employee contributes of his/her salary, the Organization will contribute 3%. Employer contributions under this plan for the year ended December 31, 2020 were \$50,418.

10. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Organization is headquartered. The mandates enforced by public health and governmental authorities to contain and combat the outbreak and spread, adversely affected workforces, economies, and financial markets globally. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. During the year ended December 31, 2020, the Organization received a PPP loan through the CARES Act (see Note 6).

Some of the impacts to the Organization's operations included disruptions and restrictions on employees' ability to work, disruptions to program beneficiaries, and the cancellation of fundraising activities scheduled to be held during 2020. While the disruption to the Organization did not have a material adverse financial impact during the year ended December 31, 2020, there is uncertainty around the ultimate financial impact.

11. LOSS FROM WIRE FRAUD

The Organization suffered theft and loss of \$1.34 million from its commercial bank account with the Bank of Marin in San Rafael, California. Out of these total losses, \$1,250,000 was related to the year ended December 31, 2019 and \$94,000 was related to the year ended December 31, 2020. Information suggests that the loss was due to a sophisticated email hacking and wire fraud scheme perpetrated against the Organization.

Upon discovery of the fraud, the Organization immediately (1) initiated extensive consultations with its bank, the Bank of Marin, (2) notified the local Federal Bureau of Investigation ("FBI") and (3) hired a forensic technology specialist to assist with the Organization's internal investigation as to the pathway and likely cause(s) of the scheme. In August 2022, the Organization received recoveries of \$198,372 related to the incident.

Roots of Peace
Notes to Financial Statements
December 31, 2020

12. LIQUIDITY AND FUNDS AVAILABLE

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and accounts receivable.

For purposes of analyzing resources available to meet general expenditures over a twelve month period, the Organization considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, and contributions. The Board of Directors meets quarterly to review all financial aspects of the Organization.

Financial assets available within one year of December 31, 2020 to fund general expenditures and other obligations as they become due consist of the following:

Financial assets	
Cash and cash equivalents	\$ 2,264,756
Accounts receivable	<u>75,515</u>
	<u>2,340,271</u>
Less amounts unavailable for general expenditure:	
Donor imposed restrictions	<u>(30,000)</u>
	<u>(30,000)</u>
	<u>\$ 2,310,271</u>

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 23, 2022, the date the financial statements were available to be issued. No subsequent events have occurred, other than as described below, that would have a material impact on the presentation of the Organization's financial statements.

In February 2021, the Organization received its second disbursement of PPP loan proceeds in the amount of \$207,930 from a promissory note issued by Bank of Marin. The term of the loan is five years and the annual interest rate is 1.00% with payments of principal and interest being deferred up to the first ten months of the loan. Consistent with the terms of the first PPP loan, the Organization can apply for and can be granted forgiveness for all or a portion of the loan proceeds.

The Organization applied for forgiveness of its first PPP loan and in May 2021 received notification from the SBA that the total principal balance of its PPP loan in the amount of \$230,107 and the related accrued interest had been forgiven in full.

Roots of Peace
Notes to Financial Statements
December 31, 2020

13. SUBSEQUENT EVENTS (continued)

In January 2022, the Organization received an Economic Disaster Injury Loan from the Small Business Administration for \$750,000. The note bears interest at 2.75% from the loan issuance date and requires interest and principal payments of \$3,366 beginning 24 months from the date of the note. Payments will first be applied to interest and any remaining balance to reduce principal. All remaining principal and accrued interest becomes due and payable thirty years from the date of the note.

SINGLE AUDIT REPORTS AND SCHEDULES

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
Roots of Peace
San Rafael, California

We have audited, in accordance with the 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 Roots of Peace (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 entity'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 our 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 the Organization's financial statements are free from 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.



Armanino^{LLP}
San Francisco, California

November 23, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

Board of Directors
Roots of Peace
San Rafael, California

Report on Compliance for Each Major Federal Program

We have audited Roots of Peace (a California nonprofit corporation) (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Armanino^{LLP}
San Francisco, California

November 23, 2022

Roots of Peace
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Agency for International Development			
USAID Foreign Assistance for Programs Overseas			
Direct awards			
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	98.001		\$ 474,149
Agriculture Marketing Program (AMP)	98.001		<u>5,549,102</u>
Total U.S. Agency for International Development			<u>6,023,251</u>
U.S. Department of State			
Weapons Removal and Abatement			
Pass-through program from United Nations Development Programme			
Community Based Agriculture and Rural Development - AIM (CBARD- AIM)	19.800	000-98771	1,584,043
Community Based Agriculture and Rural Development - East (CBARD- East)	19.800	000-98771	600,683
Community Based Agriculture and Rural Development - West (CBARD- West)	19.800	000-98771	<u>574,771</u>
			<u>2,759,497</u>
Total U.S. Department of State			<u>2,759,497</u>
Total Expenditures of Federal Awards			<u>\$ 8,782,748</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Roots of Peace
Notes to Schedule of Expenditures of Federal Awards
December 31, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Roots of Peace (the "Organization") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization has elected to not use the 10% de minimis indirect cost rate for federal awards. The Organization applies indirect costs in accordance with the specific terms of its federal award agreements.

Roots of Peace
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
USAID Foreign Assistance for Program Overseas	98.001
Weapons Removal and Abatement	19.800
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Roots of Peace
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Roots of Peace
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

Finding number: 2019-001

CFDA number: 98.001

Federal program: USAID Foreign Assistance for Program Overseas

Federal agency: U.S. Agency for International Development

Award year: 2019

Recommendation: We recommend the Organization to work closely with USAID to ensure timely responses to the negotiated indirect cost rate agreement proposals in order to execute the terms of the agreement on a timely basis.

Management's corrective action plan: Management will work with the USAID to ensure timely responses to indirect cost rate proposals.

Status of findings: Corrective action was taken.