

## **Roots of Peace**

Financial Statements  
and Single Audit Reports and Schedules

December 31, 2022  
(With Comparative Totals for 2021)



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Roots of Peace  
San Rafael, California

### **Opinion**

We have audited the accompanying financial statements of Roots of Peace (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 of Peace as of December 31, 2022, 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.

### **Basis for Opinion**

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. 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 of Peace and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Organization has adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Roots of Peace's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Responsibilities of Management 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, 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 of Peace'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 and *Government 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 and *Government 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 of Peace'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 of Peace'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.

## Supplementary Information

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 September 28, 2023, 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.



Armanino<sup>LLP</sup>  
San Francisco, California

September 28, 2023

Roots of Peace  
 Statement of Financial Position  
 December 31, 2022  
 (With Comparative Totals for 2021)

|   | 2022                       | 2021                       |
|---|----------------------------|----------------------------|
| ASSETS  |                            |                            |
| Current assets                                    |                            |                            |
| Cash and cash equivalents                         | \$ 8,116,630               | \$ 1,910,675               |
| Accounts receivable                               | 71,846                     | 782,584                    |
| Prepaid and other current assets                  | <u>145,354</u>             | <u>114,138</u>             |
| Total current assets                              | <u>8,333,830</u>           | <u>2,807,397</u>           |
| Other assets                                      | <u>100,043</u>             | <u>100,043</u>             |
| Noncurrent assets                                 |                            |                            |
| Operating lease right-of-use asset                | <u>316,768</u>             | <u>-</u>                   |
| Total noncurrent assets                           | <u>316,768</u>             | <u>-</u>                   |
| Total assets                                      | <u><u>\$ 8,750,641</u></u> | <u><u>\$ 2,907,440</u></u> |
| LIABILITIES AND NET DEFICIT                       |                            |                            |
| Current liabilities                               |                            |                            |
| Accounts payable                                  | \$ 3,009,745               | \$ 2,219,774               |
| Accrued expenses                                  | 889,087                    | 388,081                    |
| Deferred revenue                                  | 4,346,551                  | 1,149,734                  |
| Operating lease liability, current portion        | <u>209,372</u>             | <u>-</u>                   |
| Total current liabilities                         | <u>8,454,755</u>           | <u>3,757,589</u>           |
| Long-term liabilities                             |                            |                            |
| Operating lease liability, net of current portion | 120,880                    | -                          |
| Note payable                                      | <u>749,900</u>             | <u>-</u>                   |
| Total long-term liabilities                       | <u>870,780</u>             | <u>-</u>                   |
| Total liabilities                                 | <u>9,325,535</u>           | <u>3,757,589</u>           |
| Net deficit                                       |                            |                            |
| Without donor restrictions                        | (574,894)                  | (864,943)                  |
| With donor restrictions                           | <u>-</u>                   | <u>14,794</u>              |
| Total net deficit                                 | <u>(574,894)</u>           | <u>(850,149)</u>           |
| Total liabilities and net deficit                 | <u><u>\$ 8,750,641</u></u> | <u><u>\$ 2,907,440</u></u> |

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

Roots of Peace  
 Statement of Activities  
 For the Year Ended December 31, 2022  
 (With Comparative Totals for 2021)

|   | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | 2022<br>Total       | 2021<br>Total       |
|---|----------------------------------|----------------------------|---------------------|---------------------|
| Revenues, gains, and other support        |                                  |                            |                     |                     |
| Government contract revenue               | \$ 22,643,941                    | \$ -                       | \$ 22,643,941       | \$ 14,401,856       |
| Cost sharing                              | 784,949                          | -                          | 784,949             | 227,340             |
| Contributions                             | 116,157                          | 61,600                     | 177,757             | 519,170             |
| Other income                              | 179,776                          | -                          | 179,776             | 34,783              |
| Paycheck Protection Program grant revenue | -                                | -                          | -                   | 207,930             |
| Loss on foreign exchange rate             | (141,697)                        | -                          | (141,697)           | (21,462)            |
| Interest income                           | 3,500                            | -                          | 3,500               | 234                 |
| Net assets released from restriction      | <u>76,394</u>                    | <u>(76,394)</u>            | <u>-</u>            | <u>-</u>            |
| Total revenues, gains, and other support  | <u>23,663,020</u>                | <u>(14,794)</u>            | <u>23,648,226</u>   | <u>15,369,851</u>   |
| Functional expenses                       |                                  |                            |                     |                     |
| Program services                          | 21,056,784                       | -                          | 21,056,784          | 12,938,063          |
| Management and general                    | 2,290,737                        | -                          | 2,290,737           | 2,598,190           |
| Fundraising                               | <u>25,450</u>                    | <u>-</u>                   | <u>25,450</u>       | <u>24,908</u>       |
| Total functional expenses                 | <u>23,372,971</u>                | <u>-</u>                   | <u>23,372,971</u>   | <u>15,561,161</u>   |
| Change in net assets                      | 290,049                          | (14,794)                   | 275,255             | (191,310)           |
| Net assets (deficit), beginning of year   | <u>(864,943)</u>                 | <u>14,794</u>              | <u>(850,149)</u>    | <u>(658,839)</u>    |
| Net deficit, end of year                  | <u>\$ (574,894)</u>              | <u>\$ -</u>                | <u>\$ (574,894)</u> | <u>\$ (850,149)</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, 2022  
(With Comparative Totals for 2021)

|                               | AMP                  | CBARD               | Vietnam          | ABADEI              | Other             | Total<br>Program<br>Services | Management<br>and General | Fundraising      | 2022<br>Total        | 2021<br>Total        |
|-------------------------------|----------------------|---------------------|------------------|---------------------|-------------------|------------------------------|---------------------------|------------------|----------------------|----------------------|
| Personnel expenses            | \$ 4,111,558         | \$ 1,982,726        | \$ 14,937        | \$ 90,842           | \$ 31,698         | \$ 6,231,761                 | \$ 733,991                | \$ 7,790         | \$ 6,973,542         | \$ 6,502,815         |
| Procurement                   | 4,915,369            | 4,329,268           | 25,133           | 2,212,235           | 9,055             | 11,491,060                   | -                         | -                | 11,491,060           | 5,005,015            |
| Office expense                | 85,265               | 217,651             | 2,333            | 6,653               | 2,624             | 314,526                      | 50,769                    | -                | 365,295              | 483,168              |
| Travel and vehicles           | 314,943              | 246,761             | 17,920           | 75,517              | 14,998            | 670,139                      | 154,786                   | -                | 824,925              | 856,989              |
| Consultants                   | 124,850              | 230,652             | 1,984            | 46,881              | 40,395            | 444,762                      | 245,301                   | 17,660           | 707,723              | 522,104              |
| Rent                          | 249,085              | 106,476             | 524              | 736                 | 252               | 357,073                      | 221,110                   | -                | 578,183              | 523,761              |
| Professional fees             | 41,720               | 5,286               | 345              | -                   | 2,011             | 49,362                       | 516,753                   | -                | 566,115              | 763,800              |
| Telephone and internet        | 138,068              | 101,325             | 958              | 1,977               | 625               | 242,953                      | 20,126                    | -                | 263,079              | 202,921              |
| Meals and entertainment       | 17,002               | 23,868              | 43               | 716                 | 57                | 41,686                       | 11,641                    | -                | 53,327               | 39,941               |
| Miscellaneous                 | 7,665                | 7,419               | 6,609            | 79                  | -                 | 21,772                       | 88,390                    | -                | 110,162              | 31,939               |
| Taxes and licenses            | 68,730               | 100,912             | -                | 45,222              | 73                | 214,937                      | 20,246                    | -                | 235,183              | 135,961              |
| Cost sharing                  | 784,948              | -                   | -                | -                   | -                 | 784,948                      | -                         | -                | 784,948              | 227,340              |
| Dues and subscriptions        | 642                  | 539                 | -                | -                   | -                 | 1,181                        | 131,179                   | -                | 132,360              | 86,456               |
| Printing and video production | 8,056                | 1,847               | -                | 1,061               | -                 | 10,964                       | 20,036                    | -                | 31,000               | 12,827               |
| Insurance                     | -                    | -                   | -                | -                   | -                 | -                            | 63,035                    | -                | 63,035               | 102,732              |
| Postage                       | 818                  | 300                 | -                | -                   | 183               | 1,301                        | 2,715                     | -                | 4,016                | 12,888               |
| Bank charges                  | 127,067              | 50,747              | 64               | 413                 | 68                | 178,359                      | 10,659                    | -                | 189,018              | 50,504               |
|                               | <u>\$ 10,995,786</u> | <u>\$ 7,405,777</u> | <u>\$ 70,850</u> | <u>\$ 2,482,332</u> | <u>\$ 102,039</u> | <u>\$ 21,056,784</u>         | <u>\$ 2,290,737</u>       | <u>\$ 25,450</u> | <u>\$ 23,372,971</u> | <u>\$ 15,561,161</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, 2022  
 (With Comparative Totals for 2021)

|  | 2022         | 2021         |
|--|--------------|--------------|
| Cash flows from operating activities   |              |              |
| Change in net assets   | \$ 275,255   | \$ (191,310) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |              |              |
| Amortization of operating lease right-of-use asset   | 196,520      | -            |
| Changes in operating assets and liabilities  |              |              |
| Accounts receivable  | 710,738      | (707,069)    |
| Prepaid and other current assets   | (31,216)     | (52,878)     |
| Other assets   | -            | 936          |
| Accounts payable   | 789,971      | 1,783,135    |
| Accrued expenses   | 501,006      | 144,693      |
| Deferred revenue   | 3,196,817    | (1,331,588)  |
| Operating lease liability  | (183,036)    | -            |
| Net cash provided by (used in) operating activities  | 5,456,055    | (354,081)    |
| Cash flows from financing activities   |              |              |
| Proceeds from note payable   | 749,900      | -            |
| Net cash provided by financing activities  | 749,900      | -            |
| Net increase (decrease) in cash and cash equivalents   | 6,205,955    | (354,081)    |
| Cash and cash equivalents, beginning of year   | 1,910,675    | 2,264,756    |
| Cash and cash equivalents, end of year   | \$ 8,116,630 | \$ 1,910,675 |

Supplemental schedule of noncash investing and financing activities

|   |            |      |
|---|------------|------|
| Right-of-use asset obtained in exchange for lease liability | \$ 513,288 | \$ - |
|---|------------|------|

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

Roots of Peace  
Notes to Financial Statements  
December 31, 2022

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, 2022.

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, 2022

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, 2022 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, 2022, 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, 2022.

Roots of Peace  
Notes to Financial Statements  
December 31, 2022

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, 2022.

A majority 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 \$27,294,924 that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred, with an advance payment of \$4,346,551 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. The Organization did not receive any in-kind contributions during the year ended December 31, 2022.

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, 2022, the Organization received \$784,949 of cost sharing contributions.

Roots of Peace  
Notes to Financial Statements  
December 31, 2022

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, 2022 consists of receivables from government contracts. Concentration of credit risks with respect to receivables are limited, as the majority of the Organization's receivable consist of revenues earned from cost-reimbursement contracts granted by governmental agencies.

At December 31, 2022, the Organization had two donors that represented approximately 48% of contribution revenue for the year ended December 31, 2022. The Organization's government contract revenue was comprised of amounts from two government agencies for the year ended December 31, 2022.

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, 2022 used to convert the balance sheet account balances into USD was 88.453 AFN to 1 USD and 23,663 VND to 1 USD. Revenue and expenses are translated using the average rate for the reporting period. A foreign currency translation adjustment loss was recorded in the amount of \$141,697 for the year ended December 31, 2022.

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 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, 2022

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, 2022, 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 of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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, 2021, from which the summarized information was derived.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance Accounting Standards Codification ("ASC") 842, Leases, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a lease liability of \$513,288, which represents the present value of the remaining operating lease payments of \$523,055, discounted at an incremental borrowing rate of 1.37%, and a right-of-use asset of \$513,288.

Roots of Peace  
Notes to Financial Statements  
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The standard impacted the Organization's statement of financial position as of December 31, 2022, but did not have a material impact on the Organization's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of December 31, 2022.

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. The Organization adopted ASU 2020-07 with a date of the initial application of January 1, 2022. The adoption of ASU 2020-07 did not have a material impact on the Organization's financial position, results of operations, or cash flows.

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, 2022 as all assets were fully depreciated in a prior year.

4. ACCRUED EXPENSES

Accrued expenses consisted of the following:

|                            |                          |
|----------------------------|--------------------------|
| Accrued vacation           | \$ 126,056               |
| Accrued USAID overpayments | 748,475                  |
| Other accrued liabilities  | <u>14,556</u>            |
|                            | <u><u>\$ 889,087</u></u> |

Roots of Peace  
Notes to Financial Statements  
December 31, 2022

5. DEFERRED REVENUE

Deferred revenue at December 31, 2022 relates to cash advances drawn down for the Agriculture Marketing Program ("AMP") funded by the United States Agency for International Development ("USAID") and the Community-Based Agriculture and Rural Development ("CBARD") program funded by the U.S. Department of State.

Deferred revenue consisted of the following:

|                         |                     |
|-------------------------|---------------------|
| Cash advances for AMP   | \$ 1,997,801        |
| Cash advances for CBARD | <u>2,348,750</u>    |
|                         | <u>\$ 4,346,551</u> |

6. LEASES

The Organization maintains a non-cancelable lease for its office space in San Rafael, California, that is scheduled to expire in July 2024. The lease calls for monthly payments starting at \$13,791 with scheduled increases up to \$18,192. At December 31, 2022, the operating lease ROU asset and operating lease liability amounted to \$316,768 and \$330,252, respectively.

Additional information related to leases is as follows:

|  |            |
|--|------------|
| Operating lease cost                                 | \$ 202,473 |
| Operating cash flows from operating lease            | 183,036    |
| ROU asset obtained in exchange for lease obligations | \$ 513,288 |
| Weighted-average remaining lease term                | 2.7 years  |
| Weighted-average discount rate                       | 1.37%      |

Future minimum lease payments under non-cancelable operating leases as of December 31, 2022 were as follows:

|                                 |                   |
|---------------------------------|-------------------|
| <u>Year ending December 31,</u> |                   |
| 2023                            | \$ 209,372        |
| 2024                            | <u>124,694</u>    |
|                                 | 334,066           |
| Less: discount to present value | <u>(3,814)</u>    |
|                                 | <u>\$ 330,252</u> |



Roots of Peace  
Notes to Financial Statements  
December 31, 2022

7. NOTE PAYABLE

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.

The future maturities of the note payable are as follows:

| <u>Year ending December 31,</u> |                   |
|---------------------------------|-------------------|
| 2026                            | \$ 16,573         |
| 2027                            | 20,480            |
| Thereafter                      | <u>712,847</u>    |
|                                 | <u>\$ 749,900</u> |

8. 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, 2022 were \$51,081.

9. 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 September 2022, the Organization received recoveries of \$179,776 related to the incident which is recorded as other revenue on the statement of activities.

Roots of Peace  
Notes to Financial Statements  
December 31, 2022

10. 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, 2022 to fund general expenditures and other obligations as they become due consist of the following:

|                           |                     |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 8,116,630        |
| Accounts receivable       | <u>71,846</u>       |
|                           | <u>\$ 8,188,476</u> |

11. 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.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2023, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

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 (the "Organization"), which comprise the statement of financial position as of December 31, 2022, 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 September 28, 2023.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

## **Report on 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 financial statements. 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<sup>LLP</sup>  
San Francisco, California

September 28, 2023



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**

**Opinion on Each Major Federal Program**

We have audited Roots of Peace (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

**Basis for Opinion on Each Major Federal Program**

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Francisco, California

September 28, 2023



Roots of Peace  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title                              | Federal CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Total Federal<br>Expenditures |
|--|------------------------|---|-------------------------------|
| <u>Expenditures of Federal Awards</u>  |                        |   |                               |
| U.S. Agency for International Development  |                        |   |                               |
| USAID Foreign Assistance for Programs Overseas   |                        |   |                               |
| Direct awards  |                        |   |                               |
| Agriculture Marketing Program (AMP)  | 98.001                 |   | \$ 11,532,296                 |
| Commercial Horticulture & Agriculture Marketing Program (CHAMP)                                | 98.001                 |   | <u>629,975</u>                |
| Total U.S. Agency for International Development  |                        |   | <u>12,162,271</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-<br>AIM)                        | 19.800                 | 000-98771                                       | 1,629,825                     |
| Community Based Agriculture and Rural Development - East (CBARD-<br>East)                      | 19.800                 | 000-98771                                       | 1,267,764                     |
| Community Based Agriculture and Rural Development - West (CBARD-<br>West)                      | 19.800                 | 000-98771                                       | 872,901                       |
| Community Based Agriculture and Rural Development - Access to Licit<br>Livelihoods (CBARD-ALL) | 19.800                 | 000-98771                                       | <u>4,239,347</u>              |
| Total U.S. Department of State   |                        |   | <u>8,009,837</u>              |
| Total Expenditures of Federal Awards   |                        |   | <u>\$ 20,172,108</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, 2022

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, 2022. 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.

4. SUBRECIPIENTS

The Organization has not provided any federal awards to subrecipients from the federal expenditures presented on this schedule.

Roots of Peace  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2022

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             |
| 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, 2022

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, 2022

There were no prior year findings.