

ROOTED WI, INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rooted WI, Inc.
Madison, Wisconsin

Opinion

We have audited the financial statements of Rooted WI, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rooted WI, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Rooted WI, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Rooted WI, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 GAAS, 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 Rooted WI, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rooted WI, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 8, 2023

ROOTED WI, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 2,836,787	\$ 3,096,463
Accounts receivable	15,425	26,656
Unconditional promises to give	83,252	136,283
Prepaid expenses	13,115	15,394
Furniture and equipment, net	124,469	119,589
Finance right of use assets	25,719	-
Operating right of use assets	872,865	-
Beneficial interest in assets held by Madison Community Foundation	130,964	150,701
Land held in trust	88,200	88,200
Total assets	\$ 4,190,796	\$ 3,633,286
LIABILITIES		
Accounts payable	\$ 12,854	\$ 23,287
Accrued payroll	15,999	28,319
Deferred revenue	7,055	2,565
Finance lease liabilities	25,994	-
Operating lease liabilities	893,570	-
Total liabilities	955,472	54,171
NET ASSETS		
Without donor restrictions	3,102,559	3,409,956
With donor restrictions	132,765	169,159
Total net assets	3,235,324	3,579,115
Total liabilities and net assets	\$ 4,190,796	\$ 3,633,286

See accompanying notes.

ROOTED WI, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	\$ 953,844	\$ 611,224
Program and other revenues		
Farm income	170,937	155,222
Fees for services	81,514	54,711
Gardens income	30,766	25,187
Rent	7,500	7,910
Other income	7,230	701
Interest income	5,354	772
Change in value of beneficial interest in assets held by Madison Community Foundation	<u>(14,404)</u>	<u>23,268</u>
Total revenues without donor restrictions	1,242,741	878,995
EXPENSES		
Program services		
Youth and school gardens	251,884	99,627
Farm	320,879	303,746
Farm to school	143,768	166,118
Land and gardens	281,622	320,007
Pasture and Plenty	-	12,500
Badger Rock Neighborhood Center	252,082	211,824
Supporting activities		
Management and general	277,020	302,316
Fundraising	<u>98,726</u>	<u>72,053</u>
Total expenses	1,625,981	1,488,191
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>75,843</u>	<u>111,876</u>
Change in net assets without donor restrictions	(307,397)	(497,320)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	39,449	37,500
Net assets released from restrictions	<u>(75,843)</u>	<u>(111,876)</u>
Change in net assets with donor restrictions	<u>(36,394)</u>	<u>(74,376)</u>
Change in net assets	(343,791)	(571,696)
Net assets at beginning of the year	<u>3,579,115</u>	<u>4,150,811</u>
Net assets at end of year	<u><u>\$ 3,235,324</u></u>	<u><u>\$ 3,579,115</u></u>

See accompanying notes.

ROOTED WI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services					Supporting Activities		Total Expenses
	Youth and School Gardens	Farm	Farm To School	Land and Gardens	Badger Rock Neighborhood Center	Management and General	Fundraising	
Personnel	\$ 209,544	\$ 178,568	\$ 85,969	\$ 194,971	\$ 165,987	\$ 201,255	\$ 89,282	\$ 1,125,576
Interest and financing	75	64	30	69	59	71	32	400
Professional services	-	-	-	-	-	45,533	-	45,533
Donations	104	88	42	95	81	-	-	410
Supplies	13,880	59,718	2,115	9,064	19,725	553	-	105,055
Facilities and equipment	12,787	19,487	3,487	24,086	43,347	9,459	4,036	116,689
Office and farm operations	7,459	27,361	3,231	10,103	7,649	8,909	3,199	67,911
Travel and meetings	250	2,803	-	4,515	2,762	650	-	10,980
Subcontracts	1,194	4,274	44,086	29,654	6,174	-	-	85,382
Education and outreach	1,190	1,912	1,717	1,952	1,739	2,150	322	10,982
Printing and publications	1,298	254	1,438	388	234	287	126	4,025
Insurance	2,726	2,318	1,098	2,494	2,142	6,075	1,149	18,002
Events	-	2,141	-	-	420	-	-	2,561
Other	-	-	-	-	-	754	-	754
Depreciation and amortization	1,377	21,891	555	4,231	1,763	1,324	580	31,721
Total expenses	\$ 251,884	\$ 320,879	\$ 143,768	\$ 281,622	\$ 252,082	\$ 277,020	\$ 98,726	\$ 1,625,981

See accompanying notes.

ROOTED WI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services					Supporting Activities		Total Expenses	
	Youth and School Gardens	Farm	Farm To School	Land and Gardens	Pasture and Plenty	Badger Rock Neighborhood Center	Management and General		Fundraising
Personnel	\$ 71,912	\$ 191,386	\$ 122,740	\$ 237,430	\$ -	\$ 123,262	\$ 202,850	\$ 68,733	\$ 1,018,313
Interest and financing	-	-	-	-	-	-	651	-	651
Professional services	-	-	-	1,800	-	2,001	66,156	-	69,957
Donations	-	-	-	-	-	2,400	-	-	2,400
Supplies	8,798	47,410	1,250	17,651	-	7,806	-	-	82,915
Facilities and equipment	3,156	18,758	-	21,221	-	50,425	1,971	-	95,531
Office and farm operations	2,453	15,567	6,633	13,713	-	6,627	12,187	2,157	59,337
Travel and meetings	1,951	2,280	133	383	-	63	-	-	4,810
Subcontracts	10,327	1,651	29,531	20,836	12,500	14,712	-	-	89,557
Education and outreach	490	973	660	2,144	-	634	1,727	647	7,275
Printing and publications	540	2,007	5,171	1,783	-	2,236	1,387	516	13,640
Insurance	-	-	-	-	-	187	14,662	-	14,849
Events	-	-	-	657	-	780	-	-	1,437
Other	-	-	-	-	-	10	725	-	735
Depreciation	-	23,714	-	2,389	-	681	-	-	26,784
Total expenses	\$ 99,627	\$ 303,746	\$ 166,118	\$ 320,007	\$ 12,500	\$ 211,824	\$ 302,316	\$ 72,053	\$ 1,488,191

See accompanying notes.

ROOTED WI, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (343,791)	\$ (571,696)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Amortization of right of use assets	66,686	-
Depreciation	24,373	26,784
Change in value of beneficial interest in assets held by Madison Community Foundation	14,404	(23,268)
Change in assets and liabilities		
Accounts receivable	11,231	(9,665)
Unconditional promises to give	53,031	13,176
Prepaid expenses	(1,762)	(7,736)
Accounts payable	(10,433)	(30,102)
Accrued payroll	(12,320)	5,210
Deferred revenue	4,490	(4,738)
Operating lease liabilities	(34,592)	-
Net cash flows from operating activities	(228,683)	(602,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(29,253)	(33,118)
Distributions from beneficial interest in assets held by Madison Community Foundation	5,333	5,047
Net cash flows from investing activities	(23,920)	(28,071)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on finance lease liabilities	(7,073)	-
Payments on notes payable	-	(178,616)
Net cash flows from financing activities	(7,073)	(178,616)
Net change in cash	(259,676)	(808,722)
Cash at beginning of year	3,096,463	3,905,185
Cash at end of year	<u>\$ 2,836,787</u>	<u>\$ 3,096,463</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 400	\$ 651

See accompanying notes.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Rooted WI, Inc. (Rooted WI) is committed to collaborations rooted in food, land, and learning. Rooted WI evolved from a desire to merge the strengths of two vibrant Madison organizations—Center for Resilient Cities (CRC) and Community GroundWorks, Inc. (CGW)—committed to enabling people to grow and thrive in healthy, equitable, and sustainable neighborhoods. Rooted WI's programs are devoted to increasing equitable access to land, fresh food, and learning opportunities in Madison and throughout Wisconsin. Rooted WI is primarily funded by contributions and program revenues.

Accounts Receivable

Accounts receivable primarily represent amounts due from businesses and organizations for services provided by and goods sold by Rooted WI. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of December 31, 2022 and 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All unconditional promises to give are due within one year.

Furniture and Equipment

Rooted WI capitalizes all expenditures for furniture and equipment in excess of \$3,000. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Leases

Rooted WI does not recognize short-term leases in the statements of financial position. For these leases, Rooted WI recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Rooted WI also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Rooted WI uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial Interest in Assets Held by Madison Community Foundation

Rooted WI's beneficial interest in assets held by Madison Community Foundation represents an agreement between Rooted WI and the Foundation in which Rooted WI transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to Rooted WI by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Contributions

Contributions received are recorded as increases in net assets without donor restriction or net assets with donor restrictions depending on the existence of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Rooted WI receives grants from government agencies and others that are conditioned upon Rooted WI incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by Rooted WI, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions.

Program Revenues

Program revenues include farm income, gardens income, and fees for service. These services are generally considered to be a single performance obligation that is satisfied at a point in time and revenue is recognized when the service is provided. It is the policy of Rooted WI not to refund these fees. Rooted WI also provides services to organizations under contracts that are renewed annually. Revenue is recognized over the period of the contract on a straight-line basis. Rooted WI invoices the organizations for the agreed-upon price on a monthly basis. Cash received in advance of a service is included in deferred revenue on the statements of financial position.

Income Tax Status

Rooted WI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that can be directly identified with a specific function are directly charged to that function. Expenses relating to more than one function are allocated on the basis of estimates of time and effort. Certain personnel, interest and financing, facilities and equipment, office and farm operations, education and outreach, printing and publications, and depreciation and amortization expenses are allocated on the basis of estimates of time and effort.

Rooted WI's programs consist of the following:

Youth and School Gardens—participants will learn about the special characteristics of urban food production, including the distribution and marketing of urban-grown food, post-harvest processing and storage, remediation of urban soils, relevant policy issues, and more. This breadth of training can prepare participants for a wide range of careers and service opportunities including and beyond farming, such as starting food businesses, working for nonprofit organizations engaged in food systems work, horticultural therapy, school gardens, environmental education, and even the Peace Corps.

Farm—program includes Beginning Farmer Training, Community Supported Agriculture, Farm Stand, and selling wholesale field crops, cut herbs, and sprouts to a small number of local grocery stores.

Farm to School—formed around the Farm to Early Care and Education (ECE) program. Farm to ECE is a natural extension of farm to school that offers increased access to healthy, local foods, gardening opportunities, and food-based activities to enhance the educational experience in all types of ECE settings (e.g. preschools, child care centers, family child care homes, Head Start/Early Head Start, and programs in K-12 school districts).

Through the *AmeriCorps Farm to School Program*, Rooted WI provides schools with planning, development, and staffing for school gardens, that grow school gardens and as a food source for the school community. The program also provides other Farm to School (F2S) opportunities including garden-based and nutrition lessons and visits with local farmers.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land and Gardens—includes management of Troy Gardens and the Gardens Network. *Troy Gardens Farm and Gardens* consists of 26 acres of open space land for community-based food production and natural areas restoration management. Programs are developed in order to fulfill the organization's goals of developing the land in a sustainable manner, improving food security for Madison's Northside residents, and providing educational programs on gardening, natural areas restoration, food preparation, nutrition, and environmental education. *The Gardens Network* is a collaborative partnership between Rooted WI, Dane County UW-Extension, and the City of Madison. The partnership fosters community gardening and greening in Madison and Dane County. It functions as a connector of resources for gardeners and garden leaders, organizations, municipalities, initiatives, and programs working on community food issues. Various other activities include offerings of workshops, courses, field trips, and tours; and the Capital Vegetable Garden on Madison's Capital Square.

Pasture and Plenty—Rooted WI served as fiscal agent for charitable donations to Pasture and Plenty, an entity that is providing Black Excellence Virtual Cooking Classes + Meal Kits for African-American students in the Madison Metropolitan School District.

Badger Rock Neighborhood Center—The Badger Rock Neighborhood Center (BRNC) serves as a multi-generational neighborhood hub for socializing, learning, training, research, and healthy resilient living. The Center offers monthly CommUNITY dinners (average attendance 150 people; highest attendance 300 people) and provides space for community events, including serving as the neighborhood polling place (voter turnout above 90% in presidential elections), gatherings, and enriching programming for all ages. BRNC also offers gardening and culinary education to Badger Rock Middle School students and families. Rooted WI staff also operate an onsite educational farm, school gardens, a food forest, and manage 46 community garden plots.

Date of Management's Review

Management has evaluated subsequent events through June 8, 2023, the date which the financial statements were available to be issued.

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and creates FASB ASC Topic 842, *Leases*. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right of use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rooted WI adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows Rooted WI to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Rooted WI's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

Rooted WI elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed Rooted WI to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating lease right of use assets of \$932,203 and operating lease liabilities of \$928,162 and finance lease right of use assets and finance lease liabilities of \$33,067 as of January 1, 2022. The adoption of Topic 842 did not have a material effect on Rooted WI's results of operations or cash flows.

NOTE 2—CONDITIONAL PROMISES TO GIVE

Rooted WI has several grants that are conditioned upon Rooted WI incurring qualifying expenses for the programs. At December 31, 2022, these conditional promises to give totaled approximately \$153,000. These conditional promises to give will be recognized as revenue when the respective conditions are met in future years.

NOTE 3—FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2022	2021
Furniture and equipment	225,544	196,291
Less accumulated depreciation	(101,075)	(76,702)
Furniture and equipment, net	\$ 124,469	\$ 119,589

NOTE 4—LINE OF CREDIT

Rooted WI has a \$50,000 line of credit, which did not have an outstanding balance at December 31, 2022 and 2021. Advances on the credit line are payable in a single principal payment at maturity plus monthly interest payments. The credit line carries an interest rate of 1% over prime and shall not be less than 5%. The line matures on July 22, 2023 and is secured by a GBSA.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5—RETIREMENT PLAN

Rooted WI offers all employees the opportunity to contribute to a 401(k) plan. Employees who work at least 20 hours per week on average will be eligible for a 1% employer match the quarter following their one year anniversary date. This match is subject to change on an annual basis. Retirement expense for the year ended December 31, 2022 and 2021 was \$6,812 and \$3,934.

NOTE 6—NET ASSETS

Rooted WI's board of directors has chosen to designate the funds held at Madison Community Foundation as general endowment funds totaling \$130,964 and \$150,701 at December 31, 2022 and 2021. The board also designated an operating reserve fund in October 2022, totaling \$389,433 at December 31, 2022.

Net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Subject to expenditure for specified purpose:		
Youth education programs	\$ 16,449	\$ 27,500
Raised beds	-	857
Garden networks	10,000	-
Early education	18,116	42,602
Urban agriculture	-	10,000
	44,565	80,959
Not subject to appropriation or expenditure:		
James and Mildred Green Community Garden		
Land held in trust	88,200	88,200
Total net assets with donor restrictions	\$ 132,765	\$ 169,159

NOTE 7—ENDOWMENT

Rooted WI established funds at the Madison Community Foundation to invest its endowment assets. The agreement between Rooted WI and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to Rooted WI. However, the Foundation will make annual distributions of the income earned on the funds subject to the Foundation's spending policy. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of Rooted WI if Rooted WI ceases to exist or if the Foundation's board of governors votes that support of Rooted WI either is no longer necessary or is inconsistent with the needs of the community.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7—ENDOWMENT (continued)

The composition of and changes in the board designated endowment net assets for the year ended December 31 was as follows:

	2022	2021
Beginning balance	\$ 150,701	\$ 132,480
Distributions	(5,333)	(5,047)
Change in value of beneficial interest	(14,404)	23,268
Ending balance	\$ 130,964	\$ 150,701

NOTE 8—PAYCHECK PROTECTION PROGRAM

On April 22, 2020, Rooted WI received a \$188,600 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). Rooted WI accounts funds received under the PPP as a grant conditioned upon Rooted WI incurring qualifying expenses. On December 11, 2020, the SBA preliminarily approved forgiveness of the loan.

Rooted WI must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review Rooted WI's good-faith certification concerning the necessity of its loan request, whether Rooted WI calculated the loan amount correctly, whether Rooted WI used loan proceeds for the allowable uses specified in the CARES Act, and whether Rooted WI is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Rooted WI was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of funds.

NOTE 9—LEASES

Rooted WI leases space and equipment under noncancelable leases that expire at various dates through December 2040. Its space lease with Madison Metropolitan School District (MMSD) provides for four 5 year extension options, however MMSD has the right to cancel the lease after the second 5 year extension. Rooted WI is reasonably certain it will exercise the first two 5 year extensions. Rooted WI also rents space and equipment on a month-to-month basis. Rent expense for the year ended December 31, 2021 was \$75,214.

The components of total lease cost at December 31, 2022 are as follows:

Finance lease cost		
Amortization of right of use assets		\$ 7,348
Interest on lease liabilities		400
Operating lease cost		77,631
Short-term lease cost		17,983
Total lease cost		\$ 103,362

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 9—LEASES (continued)

Other information related to leases at December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	371
Financing cash flows from finance leases	7,103
Operating cash flows from operating leases	52,885
Right of use assets obtained in exchange for finance lease liabilities	33,067
Right of use assets obtained in exchange for operating lease liabilities	928,162
Weighted-average remaining lease term	
Finance leases	3.5 years
Operating leases	17.62 years
Weighted-average discount rate	
Finance lease	1.37%
Operating lease	2.03%

The maturities of lease liabilities as of December 31, 2022, are as follows:

	Finance Lease	Operating Lease
Year ending December 31:		
2023	\$ 7,602	\$ 58,276
2024	7,602	47,056
2025	7,602	48,468
2026	3,801	49,922
2027	-	51,419
Thereafter	-	827,147
Total minimum lease payments	26,607	1,082,288
Imputed interest	(613)	(188,718)
Total lease liabilities	<u>\$ 25,994</u>	<u>\$ 893,570</u>

Subsequent to year end, Rooted WI signed a lease addendum to its space lease with MMSD to clarify Rooted WI's rights to lease termination payments should MMSD terminate the lease after the second 5 year extension period. In the addendum, Rooted WI also committed \$715,261 towards the future Neighborhood Center Expansion.

ROOTED WI, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10—LIQUIDITY AND AVAILABILITY

The table below reflects Rooted WI's financial assets as of the dates of the statements of financial position reduced by amounts not available for general expenditures within one year of the dates of the statements of financial position:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,836,787	\$ 3,096,463
Accounts receivable	15,425	26,656
Unconditional promises to give	83,252	136,283
Beneficial interest in assets held by MCF	<u>130,964</u>	<u>150,701</u>
Financial assets at year end	\$ 2,935,464	\$ 3,259,402
Less those unavailable for general expenditures within one year:		
Board designated net assets	520,397	150,701
Restricted by donors with purpose restrictions	<u>44,565</u>	<u>80,959</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,370,502</u>	<u>\$ 3,027,742</u>

To help manage unanticipated liquidity needs, Rooted WI has a committed line of credit in the amount of \$50,000 as described in note 4. As part of Rooted WI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.