

**ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
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Report of Independent Auditor

To the Board of Directors
Roc Solid Foundation, Inc.
Chesapeake, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Roc Solid Foundation, Inc. (the “Foundation”), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 10 to the financial statements, as the Foundation adopted Accounting Standard Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, they discovered that a prior period adjustment to the beginning net assets and operations for the year ended December 31, 2018 for grant revenue and net assets with donor restrictions was needed. Accordingly, the Foundation’s 2018 financial statements have been restated to reflect the adjustment to grant revenue in prior periods, and the change is presented retrospectively to all periods presented in the financial statements. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 11 to the financial statements, the Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. Given the uncertainty of the situation, the duration of any business disruption is unknown and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Cherry BeKant LLP

Virginia Beach, Virginia
July 29, 2020

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u> <u>(as restated)</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (including restricted cash of \$-0- and \$13,500, respectively)	\$ 644,403	\$ 387,116
Accounts receivable	9,094	3,500
Grant receivable	125,000	75,000
Inventory	35,643	29,621
Total Current Assets	814,140	495,237
Property and equipment, net	102,946	81,597
Total Assets	<u>\$ 917,086</u>	<u>\$ 576,834</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable, trade	\$ -	\$ 5,034
Note payable, current portion	4,976	4,710
Accrued wages and related liabilities	1,490	8,347
Total Current Liabilities	6,466	18,091
Long-Term Liabilities:		
Note payable, less current portion	16,714	21,690
Total Long-Term Liabilities	16,714	21,690
Total Liabilities	23,180	39,781
Net Assets:		
Without donor restrictions	768,906	448,553
With donor restrictions	125,000	88,500
Total Net Assets	893,906	537,053
Total Liabilities and Net Assets	<u>\$ 917,086</u>	<u>\$ 576,834</u>

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

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions, sponsorships, and grants	\$ 579,242	\$ 660,467	\$ 1,239,709
Gift-in-kind	100,482	-	100,482
Special event contributions	424,119	-	424,119
	<u>1,103,843</u>	<u>660,467</u>	<u>1,764,310</u>
Net assets released from restrictions:			
Satisfaction of restrictions	623,967	(623,967)	-
Total Support	<u>1,727,810</u>	<u>36,500</u>	<u>1,764,310</u>
Revenue:			
Special event revenue	67,797	-	67,797
Merchandise sales	9,252	-	9,252
Other income	5,029	-	5,029
Total Revenue	<u>82,078</u>	<u>-</u>	<u>82,078</u>
Total Support and Revenue	<u>1,809,888</u>	<u>36,500</u>	<u>1,846,388</u>
Functional Expenses:			
Program services	1,117,809	-	1,117,809
Management and general	239,528	-	239,528
Fundraising	132,198	-	132,198
Total Functional Expenses	<u>1,489,535</u>	<u>-</u>	<u>1,489,535</u>
Change in net assets	320,353	36,500	356,853
Net assets, beginning of year, as restated	<u>448,553</u>	<u>88,500</u>	<u>537,053</u>
Net assets, end of year	<u>\$ 768,906</u>	<u>\$ 125,000</u>	<u>\$ 893,906</u>

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

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions (as restated)	Total (as restated)
Support:			
Contributions, sponsorships, and grants	\$ 435,771	\$ 425,862	\$ 861,633
Special event contributions	240,640	-	240,640
	<u>676,411</u>	<u>425,862</u>	<u>1,102,273</u>
Net assets released from restrictions:			
Satisfaction of restrictions	437,362	(437,362)	-
Total Support	<u>1,113,773</u>	<u>(11,500)</u>	<u>1,102,273</u>
Revenue:			
Special event revenue	46,446	-	46,446
Merchandise sales	10,680	-	10,680
Interest income	4,469	-	4,469
Total Revenue	<u>61,595</u>	<u>-</u>	<u>61,595</u>
Total Support and Revenue	<u>1,175,368</u>	<u>(11,500)</u>	<u>1,163,868</u>
Functional Expenses:			
Program services	734,586	-	734,586
Management and general	267,305	-	267,305
Fundraising	104,497	-	104,497
Total Functional Expenses	<u>1,106,388</u>	<u>-</u>	<u>1,106,388</u>
Change in net assets	<u>68,980</u>	<u>(11,500)</u>	<u>57,480</u>
Net assets, beginning of year, as previously reported	379,573	-	379,573
Prior period adjustment	-	100,000	100,000
Net assets, beginning of year, as restated	<u>379,573</u>	<u>100,000</u>	<u>479,573</u>
Net assets, end of year, as restated	<u>\$ 448,553</u>	<u>\$ 88,500</u>	<u>\$ 537,053</u>

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

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Children activities and services	\$ 132,773	\$ -	\$ -	\$ 132,773
Materials	272,461	-	-	272,461
Advertising and marketing	37,032	-	-	37,032
Family meals / volunteer appreciation	37,578	-	-	37,578
Conferences and meetings	1,361	-	-	1,361
Other taxes and fees	-	7,092	-	7,092
Travel	102,375	-	-	102,375
Repairs and maintenance	2,446	-	-	2,446
Sponsorship	9,472	-	-	9,472
Supplies	68,379	22,793	-	91,172
Training	20,288	4,468	-	24,756
Depreciation	-	16,743	-	16,743
Printing and publications	1,291	-	-	1,291
Salaries, benefits, and payroll taxes	316,811	105,604	-	422,415
Equipment rental	19,776	-	-	19,776
Occupancy and storage	31,213	10,404	-	41,617
Telecommunication	25,193	8,398	-	33,591
Postage and delivery	17,569	-	-	17,569
Insurance	-	23,227	-	23,227
Professional fees	-	36,800	-	36,800
Technology	18,195	-	-	18,195
Utilities	-	3,999	-	3,999
Interest	1,353	-	-	1,353
Miscellaneous	2,243	-	-	2,243
Fundraising	-	-	132,198	132,198
Total Functional Expenses	<u>\$ 1,117,809</u>	<u>\$ 239,528</u>	<u>\$ 132,198</u>	<u>\$ 1,489,535</u>

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

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Children activities and services	\$ 64,428	\$ -	\$ -	\$ 64,428
Materials	232,549	-	-	232,549
Advertising and marketing	16,445	-	-	16,445
Family meals / volunteer appreciation	23,184	-	-	23,184
Conferences and meetings	1,267	-	-	1,267
Other taxes and fees	-	7,291	-	7,291
Merchandise	6,848	-	-	6,848
Travel	69,978	-	-	69,978
Repairs and maintenance	456	-	-	456
Sponsorship	3,865	-	-	3,865
Supplies	37,957	12,653	-	50,610
Training	12,792	4,468	-	17,260
Depreciation	-	11,760	-	11,760
Printing and publications	491	-	-	491
Salaries, benefits, and payroll taxes	173,750	164,808	-	338,558
Equipment rental	12,494	-	-	12,494
Occupancy and storage	28,997	10,612	-	39,609
Telecommunication	7,659	2,553	-	10,212
Postage and delivery	15,403	-	-	15,403
Insurance	3,166	14,047	-	17,213
Professional fees	-	34,550	-	34,550
Technology	22,853	-	-	22,853
Utilities	-	4,563	-	4,563
Miscellaneous	4	-	-	4
Fundraising	-	-	104,497	104,497
Total Functional Expenses	<u>\$ 734,586</u>	<u>\$ 267,305</u>	<u>\$ 104,497</u>	<u>\$ 1,106,388</u>

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

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018 (as restated)
Cash flows from operating activities:		
Change in net assets	\$ 356,853	\$ 57,480
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	16,743	11,760
Gain on disposal of assets	(2,550)	(3,314)
Change in operating assets and liabilities:		
Accounts receivable	(5,594)	(718)
Grant receivable	(50,000)	25,000
Inventory	(6,022)	(23,821)
Accounts payable, trade	(5,034)	2,504
Accrued wages and related liabilities	(6,857)	2,611
Net cash flows from operating activities	<u>297,539</u>	<u>71,502</u>
Cash flows from investing activities:		
Purchase of property and equipment	(38,092)	(32,593)
Proceeds from sale of property and equipment	2,550	5,500
Net cash flows from investing activities	<u>(35,542)</u>	<u>(27,093)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(4,710)	-
Net cash flows from financing activities	<u>(4,710)</u>	<u>-</u>
Net increase in cash, cash equivalents, and restricted cash	257,287	44,409
Cash, cash equivalents, and restricted cash, beginning of year	387,116	342,707
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 644,403</u>	<u>\$ 387,116</u>
Noncash activities:		
Increase in note payable for property and equipment purchase	\$ -	\$ 26,400
Purchase of property and equipment	-	(26,400)
	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 1,353</u>	<u>\$ -</u>

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

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations – Roc Solid Foundation, Inc. (the “Foundation”) is a not-for-profit Virginia based corporation. The mission of the Foundation is to build hope for children battling cancer and their families by offering opportunities for them do what they do best – play. Incorporated in 2008, the Foundation prepares ready bags for in-hospital patients and constructs custom built playsets for children of all ages.

Basis of Presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash, Cash Equivalents, and Restricted Cash – For purposes of the statements of cash flows, cash, cash equivalents, and restricted consist of cash on hand with original maturities of three months or less. Restricted cash consists of reserves that are restricted for specific purposes or events by donors, and are then released from restriction when a donor-stipulated purpose restriction is accomplished or when a donor-stipulated event occurs.

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

Accounts Receivable – Accounts receivable consist of sponsorship accounts receivable and are stated at amounts billed less an allowance for doubtful accounts. Management’s determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the receivable portfolios. An allowance was not deemed necessary at December 31, 2019 and 2018.

Grant Receivable – Grant receivable consist of an amount due from a private donor based on terms of the related grant agreement. At December 31, 2019 and 2018, management considers all amounts to be fully collectible within one year. Accordingly, an allowance for uncollectible grants has not been established.

Property and Equipment – Property and equipment are recorded at cost, or if contributed, at the estimated fair value at the date of contribution. Contributions are reported as unrestricted support unless the donor restricted the donated asset to a specific purpose. Long-lived assets held and used by the Foundation are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable. Depreciation is calculated using straight-line and accelerated methods based on the following useful lives:

	<u>Life</u>
Machinery and equipment	5 - 10 Years
Furniture and equipment	5 - 7 Years
Vehicles	7 Years

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes – The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation continues to satisfy the requirements of a tax-exempt organization at December 31, 2019. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Foundation had no uncertain income tax positions at December 31, 2019.

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Inventory – Inventory consists of playsets and ready bag materials to support their mission. Inventory is stated at the lower of cost or net realizable value.

Financial Statement Presentation – The Foundation reports information regarding its financial position and activities according to two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Revenues, expenses, gains, and losses that are not limited by donor-imposed restrictions are reported in this classification.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed stipulations that expire by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net asset with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. At December 31, 2019, net assets with donor restrictions totaled \$125,000. At December 31, 2018, net assets with donor restrictions totaled \$88,500.

Revenue Recognition and Contributions Received – See Note 9.

Advertising Costs – The Foundation expenses advertising costs as incurred. Advertising costs expensed for the years ended December 31, 2019 and 2018 were \$37,032 and \$16,445, respectively.

Contributions – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions received are considered to be available for use unless specifically restricted by the donor.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and change in net assets and the statements of functional expenses. Management's estimate of functional expense allocation is based on time and effort for certain expenses. For certain administrative expenses, management takes into consideration historical information, knowledge of operations, and time involved to arrive at the best estimate of allocation between program and supporting services.

Grant Income – Grant income is recognized in the year the grant is awarded. Grants that are restricted by the grantor are reported as increases in net assets with donor restrictions. When the restriction is met or expires, the net assets are reclassified to net assets without donor restrictions.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements and have no effect on net assets.

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Adopted Pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification (“ASC”) *Revenue Recognition (Topic 605)* and requires entities to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Subsequent to ASU 2014-09, FASB issued several related ASUs (collectively “ASC 606”). The Foundation adopted the provisions of ASU 2014-09 and the related ASUs as of January 1, 2019 using a modified retrospective approach, which resulted in no cumulative adjustment to net assets. Other than the additional disclosures in Note 9, there were no changes in the timing and amount of revenue recognition as a result of the adoption of these ASUs.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides additional guidance to help determine whether a contribution is conditional, and better distinguish between a donor-imposed condition and a donor-imposed restriction. The Foundation adopted this standard on January 1, 2019. Also see Note 10.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 320) – Restricted Cash*. ASU 2016-18 requires the statement of cash flows to present the change of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts. The Foundation adopted the provisions of ASU 2016-18 as of January 1, 2019 using the retrospective approach. There was no impact on net assets as a result of adopting this ASU, and no material changes to the financial statements, aside from the change in presentation on the statement of cash flows.

Significant New Accounting Standards Not Yet Adopted – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use asset, representing the lessee’s right to use or control the asset, be recorded on the statements of financial position, upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statements of activities and changes in net assets and the statements of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Liquidity and availability of financial assets

The Foundation’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 644,403	\$ 387,116
Accounts receivable	9,094	3,500
Grant receivable	<u>125,000</u>	<u>75,000</u>
	778,497	465,616
Less amounts restricted by donors for specific use	<u>(125,000)</u>	<u>(88,500)</u>
	<u>\$ 653,497</u>	<u>\$ 377,116</u>

As part of the Foundation’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. The Foundation considers general expenditures to be all program services, management and general, and fundraising costs presented in the statements of functional expenses incurred in the ordinary course of the advancement of the Foundation’s mission.

Note 3—Donated services and property

The Foundation recorded no donated professional services for the years ended December 31, 2019 and 2018. Community volunteers donate a significant amount of non-professional time to program services which cannot be objectively valued and are not reflected.

The statements also reflect donated materials and supplies of \$100,482 and \$-0- which consists of playset materials and various goods to be used in ready bags for the years ended December 31, 2019 and 2018, respectively.

Note 4—Concentration of credit risks

The Foundation is subject to concentration risk due to the fact that approximately 10% of its revenue and support was received from one major donor during the year ended December 31, 2019. This donor had no balances due to the Foundation as of December 31, 2019. No similar concentration existed for the year ended December 31, 2018.

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2019, the Foundation exceeded these limits by \$307,600.

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 5—Property and equipment

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Machinery and equipment	\$ 32,388	\$ 26,900
Furniture and equipment	12,311	5,659
Vehicles	95,905	69,953
	<u>140,604</u>	<u>102,512</u>
Less accumulated depreciation	<u>(37,658)</u>	<u>(20,915)</u>
	<u>\$ 102,946</u>	<u>\$ 81,597</u>

Depreciation expense was \$16,743 and \$11,760 for the years ended December 31, 2019 and 2018, respectively.

Note 6—Lease commitment

The Foundation leases their primary office building, storage units, and other small office space through operating leases with various terms expiring through 2019. For the years ended December 31, 2019 and 2018, rent expense totaled \$41,617 and \$39,609, respectively.

Future minimum lease payments under these lease agreements are:

2020	\$ 32,040
2021	23,670
2022	20,215

Note 7—Note payable

Note payable at December 31, 2019 and 2018 consists of:

	<u>2019</u>	<u>2018</u>
Automobile loan, payable in monthly installments of \$505, 5.5% interest, through 2023, secured by automobile	\$ 21,690	\$ 26,400
Less current maturities	<u>(4,976)</u>	<u>(4,710)</u>
Note payable, net	<u>\$ 16,714</u>	<u>\$ 21,690</u>

The amounts of long-term liabilities maturing in each of the years following December 31, 2019 are:

2020	\$ 4,976
2021	5,264
2022	5,565
2023	5,885

ROC SOLID FOUNDATION, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8—Net assets with donor restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the other events specified by donors during the respective year as follows:

	<u>2019</u>	<u>2018</u>
Play It Forward	\$ 422,673	\$ 390,502
Ready bags	187,794	46,860
Purchase of box truck	13,500	-
Program and Services	<u>\$ 623,967</u>	<u>\$ 437,362</u>

As of December 31, 2019, there were \$125,000 of outstanding contributions with donor-imposed restrictions for use in 2020 towards playsets for Play it Forward. At December 31, 2018, there were \$88,500 of outstanding contributions with donor-imposed restrictions for use in 2019 towards playsets for Play it Forward.

Note 9—Revenue recognition and contributions received

On January 1, 2019, the Foundation adopted ASC 606 for revenue from contracts with customers using the modified retrospective approach. There was no cumulative adjustment to net assets as a result of the adoption of the ASU.

Revenue Recognized at a Point in Time – Revenue derived from special event ticket sales and merchandise sales is recognized at a point in time when the related performance obligations (“PO”) are satisfied. The sole PO for special event ticket sales is to provide the individual with a meal and a beverage at the special event, and the PO is satisfied when the special event occurs, and the individual receives the meal and beverage. The transaction price recognized as revenue is equal to the fair market value of the meal and beverage provided to the individual, and the remaining portion of the ticket price is allocated to special event contributions, and is recognized as a contribution under ASC Topic 958 as outlined below. The sole PO for merchandise sales is the delivery of the good to the customer, which occurs at the time of sale. Payment is generally received at the time of sale for both special event ticket sales and merchandise sales, which occur prior to or at the time of the special event or sale of goods. There are no warranties, significant judgments, or significant financing components of revenue recognized under ASC 606. Revenue recognized at a point in time totaled \$77,049 and \$57,126 for the years ended December 31, 2019 and 2018 and is included on the respective statements of activities and changes in net assets. All special event ticket sales for special events and merchandise sales occurred within the respective fiscal year, thus there was no deferred revenue at December 31, 2019 and 2018.

Contributions Received – On January 1, 2019, the Foundation also adopted the provisions of ASU 2018-08 for contributions received using the modified prospective approach. Contributions received by the Foundation are not within the scope of ASC 606 above, but rather, are analyzed and recorded in accordance with the provisions of ASC Topic 958, *Not-for-Profit Entities*. All contributions, sponsorships, and grants, including government appropriations received by the Foundation consist solely of non-exchange, non-reciprocal transactions, and generally contain no donor-specified conditions or barriers that would cause contributions to be considered conditional in nature. Contributions with donor-specified conditions whose conditions are met in the same reporting period are reported as net assets without donor restrictions, absent any donor-imposed restrictions. Through the adoption of this ASU, management determined an adjustment to prior period grant revenue and beginning net assets with donor restriction was necessary. See Note 10 for effects of the prior period adjustment deemed necessary by management as a result of adopting this ASU.

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Note 9—Revenue recognition and contributions received (continued)

Donor-imposed restrictions are separate from donor-imposed conditions. The Foundation records contributions with donor-imposed restrictions as contributions with donor restriction within the statements of activities if they are received with donor stipulations that restrict the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. All other contributions that lack specific donor restrictions are recorded as contributions without donor restrictions. Contributions are included on the statement of activities and changes in net assets and totaled \$1,764,310 and \$1,102,273 for the years ended December 31, 2019 and 2018, respectively.

Note 10—Prior period adjustment

During the year ended December 31, 2019, and through the adoption of ASU 2018-08 as discussed in Note 9, management identified necessary adjustments to grant revenue as of January 1, 2018 and for the year ended December 31, 2018. Due to a better understanding of conditional contributions, this resulted in an understatement of a grant receivable and net assets with donor restriction on the statement of financial position, and an overstatement of grant revenue with donor restrictions included within contributions, scholarships, and grants and total change in net assets on the statement of activities and changes in net assets.

The adjustment had the following effect on the Foundation’s previously reported amounts:

	2018		2018
	As Previously	Increase	Restated
	Reported	(Decrease)	Balance
	_____	_____	_____
Selected Statement of Financial Position Data:			
Grant receivable	\$ -	\$ 75,000	\$ 75,000
Net assets with donor restriction, end of year	13,500	75,000	88,500
Selected Statement of Activities and Changes in Net Assets Data:			
Contributions, scholarships, and grants with donor restrictions	\$ 450,862	\$ (25,000)	\$ 425,862
Total contributions, scholarships, and grants	886,633	(25,000)	861,633
Change in net assets with donor restrictions	13,500	(25,000)	(11,500)
Total change in net assets	82,480	(25,000)	57,480
Net assets with donor restriction, beginning of year	-	100,000	100,000
Net assets with donor restriction, end of year	13,500	75,000	88,500
Selected Statement of Cash Flow Data:			
Change in net assets	\$ 82,480	\$ (25,000)	\$ 57,480
Change in operating assets and liabilities:			
Grant receivable	-	25,000	25,000

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Note 11—Subsequent events

The Foundation has evaluated subsequent events through July 29, 2020, which is the date the financial statements were available to be issued.

The Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may negatively impact the Foundation's financial position, operations, and cash flows. Possible effects may include, but are not limited to, the cancellation or postponement of regularly scheduled events and builds, and the inability of donors to make contributions. In response to the pandemic, the Foundation applied for and received funding through the Paycheck Protection Program, which is expected to be forgiven in 2020.