

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

FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2022 and 2021*

*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

### Opinion

We have audited the accompanying financial statements of Roc Solid Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Foundation'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 the Foundation'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.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
June 26, 2023

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

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,592,768	\$ 1,582,170
Accounts receivable	16,000	17,308
Investments	7,037	7,595
Inventory	147,909	95,518
Other receivables	11,767	-
Total Current Assets	<u>1,775,481</u>	<u>1,702,591</u>
Property and Equipment, Net	<u>108,275</u>	<u>116,416</u>
<b>Total Assets</b>	<u><u>\$ 1,883,756</u></u>	<u><u>\$ 1,819,007</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable, trade	\$ 38,512	\$ 37,160
Accrued wages and related liabilities	40,981	36,854
Total Current Liabilities	<u>79,493</u>	<u>74,014</u>
Net Assets:		
Without donor restrictions	1,804,263	1,744,993
With donor restrictions	-	-
Total Net Assets	<u>1,804,263</u>	<u>1,744,993</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,883,756</u></u>	<u><u>\$ 1,819,007</u></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, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support:			
Contributions, sponsorships, and grants	\$ 2,015,220	\$ 832,215	\$ 2,847,435
Gifts-in-kind	40,078	-	40,078
Special event contributions	481,681	-	481,681
	<u>2,536,979</u>	<u>832,215</u>	<u>3,369,194</u>
Net assets released from restrictions:			
Satisfaction of restrictions	832,215	(832,215)	-
Total Support	<u>3,369,194</u>	<u>-</u>	<u>3,369,194</u>
Revenue:			
Merchandise sales	742	-	742
Other expense, net	(811)	-	(811)
Total Revenue	<u>(69)</u>	<u>-</u>	<u>(69)</u>
Total Support and Revenue	<u>3,369,125</u>	<u>-</u>	<u>3,369,125</u>
Functional Expenses:			
Program services	2,675,843	-	2,675,843
Management and general	395,273	-	395,273
Fundraising	238,739	-	238,739
Total Functional Expenses	<u>3,309,855</u>	<u>-</u>	<u>3,309,855</u>
Change in net assets	59,270	-	59,270
Net assets, beginning of year	1,744,993	-	1,744,993
Net assets, end of year	<u>\$ 1,804,263</u>	<u>\$ -</u>	<u>\$ 1,804,263</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, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support:			
Contributions, sponsorships, and grants	\$ 1,707,448	\$ 710,100	\$ 2,417,548
Gifts-in-kind	52,280	-	52,280
Special event contributions	429,719	-	429,719
	<u>2,189,447</u>	<u>710,100</u>	<u>2,899,547</u>
Net assets released from restrictions:			
Satisfaction of restrictions	720,100	(720,100)	-
Total Support	<u>2,909,547</u>	<u>(10,000)</u>	<u>2,899,547</u>
Revenue:			
Special event revenue	4,715	-	4,715
Merchandise sales	430	-	430
Other income, net	1,031	-	1,031
Total Revenue	<u>6,176</u>	<u>-</u>	<u>6,176</u>
Total Support and Revenue	<u>2,915,723</u>	<u>(10,000)</u>	<u>2,905,723</u>
Functional Expenses:			
Program services	1,795,178	-	1,795,178
Management and general	338,084	-	338,084
Fundraising	240,234	-	240,234
Total Functional Expenses	<u>2,373,496</u>	<u>-</u>	<u>2,373,496</u>
Change in net assets	542,227	(10,000)	532,227
Net assets, beginning of year	<u>1,202,766</u>	<u>10,000</u>	<u>1,212,766</u>
Net assets, end of year	<u>\$ 1,744,993</u>	<u>\$ -</u>	<u>\$ 1,744,993</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, 2022

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Children activities and services	\$ 577,919	\$ -	\$ -	\$ 577,919
Materials and supplies	745,932	-	-	745,932
Advertising and marketing	286,686	-	-	286,686
Family meals / volunteer appreciation	40,010	-	-	40,010
Conferences and meetings	14,546	-	-	14,546
Other taxes and fees	-	69,633	-	69,633
Travel	214,553	-	-	214,553
Repairs and maintenance	23,749	-	-	23,749
Sponsorship	7,181	-	-	7,181
Training	24,640	-	-	24,640
Depreciation	21,743	2,416	-	24,159
Printing and publications	315	-	-	315
Salaries, benefits, and payroll taxes	526,312	219,297	131,578	877,187
Equipment rental	57,833	-	-	57,833
Occupancy and storage	18,285	6,095	-	24,380
Telecommunication	9,406	3,135	-	12,541
Postage and delivery	59,315	-	-	59,315
Insurance	-	27,926	-	27,926
Professional fees	-	57,266	-	57,266
Technology	47,418	-	-	47,418
Utilities	-	9,505	-	9,505
Fundraising	-	-	107,161	107,161
<b>Total Functional Expenses</b>	<b>\$ 2,675,843</b>	<b>\$ 395,273</b>	<b>\$ 238,739</b>	<b>\$ 3,309,855</b>

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, 2021

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Children activities and services	\$ 285,743	\$ -	\$ -	\$ 285,743
Materials and supplies	537,672	-	-	537,672
Advertising and marketing	145,770	-	-	145,770
Family meals / volunteer appreciaion	20,206	-	-	20,206
Conferences and meetings	4,738	-	-	4,738
Other taxes and fees	-	37,438	-	37,438
Merchandise	11,907	-	-	11,907
Travel	110,255	-	-	110,255
Bad debt	-	3,000	-	3,000
Repairs and maintenance	1,059	-	-	1,059
Training	21,878	7,699	-	29,577
Depreciation	20,374	2,264	-	22,638
Printing and publications	1,135	-	-	1,135
Salaries, benefits, and payroll taxes	489,590	203,996	122,398	815,984
Equipment rental	26,754	-	-	26,754
Occupancy and storage	17,753	5,918	-	23,671
Telecommunication	8,966	2,989	-	11,955
Postage and delivery	50,764	-	-	50,764
Insurance	-	23,644	-	23,644
Professional fees	-	42,200	-	42,200
Technology	35,237	-	-	35,237
Utilities	-	8,936	-	8,936
Interest	336	-	-	336
Miscellaneous	5,041	-	-	5,041
Fundraising	-	-	117,836	117,836
<b>Total Functional Expenses</b>	<b>\$ 1,795,178</b>	<b>\$ 338,084</b>	<b>\$ 240,234</b>	<b>\$ 2,373,496</b>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 59,270	\$ 532,227
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	24,159	22,638
Loss on disposal of assets	-	497
Contributed investments	(1,044)	(7,595)
Loss on investments	1,600	-
Change in operating assets and liabilities:		
Accounts receivable	1,308	(3,808)
Other Receivables	(11,767)	-
Grants and contributions receivable	-	25,000
Inventory	(52,391)	(34,600)
Accounts payable, trade	1,352	37,145
Accrued wages and related liabilities	4,127	20,240
Net cash flows from operating activities	<u>26,614</u>	<u>591,744</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(16,018)	(69,485)
Proceeds from sale of property and equipment	-	16,200
Net cash flows from investing activities	<u>(16,018)</u>	<u>(53,285)</u>
<b>Cash flows from financing activities:</b>		
Repayment of note payable	-	(16,714)
Net change in cash and cash equivalents	10,596	521,745
Cash and cash equivalents, beginning of year	1,582,170	1,060,425
Cash and cash equivalents, end of year	<u>\$ 1,592,766</u>	<u>\$ 1,582,170</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 336</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, 2022 AND 2021

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**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 and Cash Equivalents* – For purposes of the statements of cash flows, cash and cash equivalents consist of cash on hand with original maturities of three months or less.

*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, 2022 and 2021.

*Grants Receivable* – Grants receivable consists of amounts due from private donors based on terms of the related grant agreement. At December 31, 2022 and 2021, management considers all amounts to be fully collectible within one year. Accordingly, an allowance for uncollectible grants has not been established.

*Investments* – Investments are reported at their fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and change in net assets. Donated investments are recorded at estimated fair market value on the date of donation.

*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:

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 the Foundation continues to satisfy the requirements of a tax-exempt organization at December 31, 2022. 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, 2022.

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

DECEMBER 31, 2022 AND 2021

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**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 change in net assets. At December 31, 2022 and 2021, net assets with donor restrictions totaled \$-0-.

*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, 2022 and 2021 were \$286,686 and \$145,770, 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.

*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.

The Foundation accounts for contributions and grants in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant.

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

DECEMBER 31, 2022 AND 2021

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

*Newly Adopted Accounting Standards* – 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 change in net assets and the statements of cash flows will be substantially unchanged from the existing lease accounting guidance. The Foundation has adopted this standard as of January 1, 2022 and determined it does not have a material impact on the financial statements as all current leases are considered short term.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU are intended to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Foundation has adopted this standard and determined it does not have a material impact on the financial statements.

*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.

*Reclassification* – The Foundation has reclassified certain expenses for the year ended December 31, 2021 to be consistent with the classifications used for 2022. One classification from materials and supplies to children activities and services in the amount of \$257,446 is considered material but does not materially impact the totals on the statement of functional expenses or the statement of activities and change in net assets.

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,592,768	\$ 1,582,170
Accounts receivable	16,000	17,308
Investments	<u>7,037</u>	<u>7,595</u>
	1,615,805	1,607,073
Less amounts restricted by donors for specific use	<u>-</u>	<u>-</u>
	<u>\$ 1,615,805</u>	<u>\$ 1,607,073</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.

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

DECEMBER 31, 2022 AND 2021

**Note 3—Donated services and property**

The Foundation recorded no donated professional services for the years ended December 31, 2022 and 2021. Community volunteers donate a significant amount of non-professional time to program services which cannot be objectively valued and are not reflected.

The Foundation received the following contributions of assets for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Materials and supplies	\$ 40,078	\$ 52,280
Stock	1,044	7,595
Total contributed assets	<u>\$ 41,122</u>	<u>\$ 59,875</u>

The contributed materials and supplies consist of playset materials and various goods to be utilized in ready bags and are recorded as in-kind contributions and inventory based on the current price on a publicly available website on the date of donation.

During 2022, the Foundation received a donation of stock valued at \$1,044. The market value at December 31, 2022 was \$1,060. During 2021, the Foundation received a donation of stock valued at \$7,595. The market value at the date of donation was the same at December 31, 2021. The value of the stock was based on the fair market value of similar equities on the date of donation.

**Note 4—Investments**

Investments consist of the following as of December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	<u>\$ 8,639</u>	<u>\$ 7,039</u>	<u>\$ 7,595</u>	<u>\$ 7,595</u>

**Note 5—Fair value measurements**

The Foundation determines the fair value of its financial instruments based on the fair value hierarchy established in accounting standards which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting standards define fair value as the exchange price that would be received for an asset or liability in the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards describe three levels of inputs that may be used to measure fair value:

*Level 1* – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

*Level 2* – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

*Level 3* – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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

DECEMBER 31, 2022 AND 2021

**Note 5—Fair value measurements (continued)**

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

*Equity Securities* – The fair value of corporate equity securities is estimated using market price quotations. These securities are generally categorized in Level 1 of the fair value hierarchy. At December 31, 2022 and 2021, the Foundation had \$7,037 and \$7,595, respectively, in this category.

**Note 6—Concentration of credit risks**

The Foundation is subject to concentration risk due to the fact that approximately 15% of its revenue and support was received from one major donor for each of the years ended December 31, 2022 and 2021. This donor did not have a balance due to the Foundation as of December 31, 2022 and 2021.

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, 2022, the Foundation exceeded these limits by \$889,646.

**Note 7—Property and equipment**

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Building	\$ 26,760	\$ 26,760
Machinery and equipment	53,071	37,053
Furniture and equipment	20,402	20,402
Vehicles	97,240	97,240
	<u>197,473</u>	<u>181,455</u>
Less accumulated depreciation	<u>(89,198)</u>	<u>(65,039)</u>
	<u>\$ 108,275</u>	<u>\$ 116,416</u>

Depreciation expense was \$24,159 and \$22,638 for the years ended December 31, 2022 and 2021, respectively.

**Note 8—Lease commitment**

The Foundation leases their primary office building, storage units, and other small office space through operating leases with various terms expiring through 2022. For the years ended December 31, 2022 and 2021, rent expense totaled \$24,380 and \$23,671, respectively.

Future minimum lease payments under these lease agreements are:

2023	\$ 20,822	\$ 20,215
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**ROC SOLID FOUNDATION, INC.**  
**(A NONPROFIT ORGANIZATION)**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**Note 9—Contributions and net assets released from 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 years ended December 31 as follows:

	<u>2022</u>	<u>2021</u>
Play It Forward	\$ 621,642	\$ 537,026
Ready bags	210,573	183,074
	<u>\$ 832,215</u>	<u>\$ 720,100</u>

As of December 31, 2022, there were \$-0- of outstanding contributions with donor-imposed restrictions for use in 2023 towards playsets for Play It Forward. At December 31, 2021, there were \$-0- of outstanding contributions with donor-imposed restrictions for use in 2022 towards playsets for Play It Forward.

**Note 10—Revenue recognition and contributions received**

The Foundation accounts for revenue related to exchange transactions in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*.

*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 \$742 and \$430 for the years ended December 31, 2022 and 2021, respectively, and is included on the statements of activities and change 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, 2022 and 2021.

*Contributions Received* – The Foundation accounts for contributions under the provisions of ASU 2018-08 for contributions. 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.



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*DECEMBER 31, 2022 AND 2021*

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**Note 10—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 and grants are included on the statements of activities and change in net assets and totaled \$3,296,129 and \$2,852,690 for the years ended December 31, 2022 and 2021, respectively.

**Note 11—Subsequent events**

The Foundation has evaluated subsequent events through June 26, 2023, which is the date the financial statements were available to be issued.