

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

**FINANCIAL STATEMENTS**

*As of and for the Years Ended December 31, 2021 and 2020*

*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. (the “Foundation”), which comprise the statements of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020, 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.

### 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 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 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 BeKant LLP*

Virginia Beach, Virginia  
August 5, 2022

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

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,582,170	\$ 1,060,425
Accounts receivable	17,308	13,500
Grants and contributions receivable	-	25,000
Investments	7,595	-
Inventory	95,518	60,918
Total Current Assets	<u>1,702,591</u>	<u>1,159,843</u>
Property and Equipment, Net	<u>116,416</u>	<u>86,266</u>
<b>Total Assets</b>	<u><u>\$ 1,819,007</u></u>	<u><u>\$ 1,246,109</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable, trade	\$ 37,160	\$ 15
Accrued wages and related liabilities	36,854	16,614
Note payable, current portion	-	5,264
Total Current Liabilities	<u>74,014</u>	<u>21,893</u>
Long-Term Liabilities:		
Note payable, less current portion	<u>-</u>	<u>11,450</u>
Total Liabilities	<u>74,014</u>	<u>33,343</u>
Net Assets:		
Without donor restrictions	1,744,993	1,202,766
With donor restrictions	-	10,000
Total Net Assets	<u>1,744,993</u>	<u>1,212,766</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,819,007</u></u>	<u><u>\$ 1,246,109</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support:			
Contributions, sponsorships, and grants	\$ 1,660,591	\$ 710,100	\$ 2,370,691
Gifts-in-kind	52,280	-	52,280
Special event contributions	429,719	-	429,719
	<u>2,142,590</u>	<u>710,100</u>	<u>2,852,690</u>
Net assets released from restrictions:			
Satisfaction of restrictions	720,100	(720,100)	-
Total Support	<u>2,862,690</u>	<u>(10,000)</u>	<u>2,852,690</u>
Revenue:			
Merchandise sales	47,287	-	47,287
Other income	1,031	-	1,031
Total Revenue	<u>53,033</u>	<u>-</u>	<u>53,033</u>
Total Support and Revenue	<u>2,915,723</u>	<u>(10,000)</u>	<u>2,905,723</u>
Functional Expenses:			
Program services	1,770,666	-	1,770,666
Management and general	362,600	-	362,600
Fundraising	240,230	-	240,230
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 ACTIVITIES AND CHANGE IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support:			
Contributions, sponsorships, and grants	\$ 1,202,230	\$ 525,585	\$ 1,727,815
Gifts-in-kind	65,190	-	65,190
Special event contributions	189,949	-	189,949
Paycheck Protection Program grant revenue	109,600	-	109,600
	<u>1,566,969</u>	<u>525,585</u>	<u>2,092,554</u>
Net assets released from restrictions:			
Satisfaction of restrictions	640,585	(640,585)	-
Total Support	<u>2,207,554</u>	<u>(115,000)</u>	<u>2,092,554</u>
Revenue:			
Merchandise sales	6,470	-	6,470
Interest income	8,649	-	8,649
Total Revenue	<u>15,119</u>	<u>-</u>	<u>15,119</u>
Total Support and Revenue	<u>2,222,673</u>	<u>(115,000)</u>	<u>2,107,673</u>
Functional Expenses:			
Program services	1,381,603	-	1,381,603
Management and general	280,752	-	280,752
Fundraising	126,458	-	126,458
Total Functional Expenses	<u>1,788,813</u>	<u>-</u>	<u>1,788,813</u>
Change in net assets	433,860	(115,000)	318,860
Net assets, beginning of year	<u>768,906</u>	<u>125,000</u>	<u>893,906</u>
Net assets, end of year	<u>\$ 1,202,766</u>	<u>\$ 10,000</u>	<u>\$ 1,212,766</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, 2021

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Children activities and services	\$ 28,297	\$ -	\$ -	\$ 28,297
Materials	704,266	-	-	704,266
Advertising and marketing	145,770	-	-	145,770
Family meals / volunteer appreciation	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	94,127	-	-	94,127
Bad Debt	-	3,000	-	3,000
Repairs and maintenance	1,059	-	-	1,059
Supplies	73,549	24,516	-	98,065
Training	30,797	7,699	-	38,496
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	-	-	117,832	117,832
<b>Total Functional Expenses</b>	<b>\$ 1,770,666</b>	<b>\$ 362,600</b>	<b>\$ 240,230</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)**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Children activities and services	\$ 42,027	\$ -	\$ -	\$ 42,027
Materials	545,425	-	-	545,425
Advertising and marketing	69,799	-	-	69,799
Family meals / volunteer appreciation	29,161	-	-	29,161
Conferences and meetings	955	-	-	955
Other taxes and fees	-	10,085	-	10,085
Merchandise	145	-	-	145
Travel	80,951	-	-	80,951
Repairs and maintenance	8,169	-	-	8,169
Sponsorship	5,016	-	-	5,016
Supplies	18,053	6,018	-	24,071
Training	17,139	4,202	-	21,341
Depreciation	18,457	2,051	-	20,508
Printing and publications	888	-	-	888
Salaries, benefits, and payroll taxes	412,850	172,021	103,213	688,084
Equipment rental	24,173	-	-	24,173
Occupancy and storage	29,909	9,970	-	39,879
Telecommunication	10,006	3,335	-	13,341
Postage and delivery	43,045	-	-	43,045
Insurance	-	26,383	-	26,383
Professional fees	-	40,300	-	40,300
Technology	21,014	-	-	21,014
Utilities	-	6,387	-	6,387
Interest	1,087	-	-	1,087
Miscellaneous	3,334	-	-	3,334
Fundraising	-	-	23,245	23,245
<b>Total Functional Expenses</b>	<b>\$ 1,381,603</b>	<b>\$ 280,752</b>	<b>\$ 126,458</b>	<b>\$ 1,788,813</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 532,227	\$ 318,860
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	22,638	20,508
Loss on disposal of assets	497	-
Contributed investments	(7,595)	-
Change in operating assets and liabilities:		
Accounts receivable	(3,808)	(4,406)
Grants and contributions receivable	25,000	100,000
Inventory	(34,600)	(25,275)
Accounts payable, trade	37,145	15
Accrued wages and related liabilities	20,240	15,124
Net cash flows from operating activities	<u>591,744</u>	<u>424,826</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(69,485)	(3,828)
Proceeds from sale of property and equipment	16,200	-
Net cash flows from investing activities	<u>(53,285)</u>	<u>(3,828)</u>
<b>Cash flows from financing activities:</b>		
Repayment of note payable	<u>(16,714)</u>	<u>(4,976)</u>
Net change in cash and cash equivalents	521,745	416,022
Cash and cash equivalents, beginning of year	1,060,425	644,403
Cash and cash equivalents, end of year	<u>\$ 1,582,170</u>	<u>\$ 1,060,425</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 336</u>	<u>\$ 1,087</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, 2021 AND 2020

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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, 2021 and 2020.

*Grants Receivable* – Grants receivable consist of amounts due from private donors based on terms of the related grant agreement. At December 31, 2021 and 2020, 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 changes in net assets in the accompanying statements of activities and changes 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, 2021. 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, 2021.

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

DECEMBER 31, 2021 AND 2020

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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 changes in net assets. At December 31, 2021, net assets with donor restrictions totaled \$-0-. At December 31, 2020, net assets with donor restrictions totaled \$10,000.

*Revenue Recognition and Contributions Received* – See Note 11.

*Advertising Costs* – The Foundation expenses advertising costs as incurred. Advertising costs expensed for the years ended December 31, 2021 and 2020 were \$145,770 and \$69,799, 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, 2021 AND 2020

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

*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.

*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.

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 standard will be effective for the fiscal years beginning after June 15, 2021. The Foundation is currently in the process of evaluating the impact of the adoption of this future accounting pronouncement in the financial statements.

**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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,582,170	\$ 1,060,425
Accounts receivable	17,308	13,500
Investments	7,595	-
Grants and contributions receivable	-	25,000
	<u>1,607,073</u>	<u>1,098,925</u>
Less amounts restricted by donors for specific use	-	(10,000)
	<u>\$ 1,607,073</u>	<u>\$ 1,088,925</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, 2021 AND 2020

**Note 3—Donated services and property**

The Foundation recorded no donated professional services for the years ended December 31, 2021 and 2020. 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 \$52,280 and \$65,190 which consists of playset materials and various goods to be used in ready bags for the years ended December 31, 2021 and 2020, respectively.

During 2021, the Foundation received stock valued at \$7,595. The market value at the date of donation was the same as the value at December 31, 2021.

**Note 4—Investments**

Investments consist of the following as of December 31, 2021 and 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Equity securities	\$ 7,595	\$ 7,595	\$ -	\$ -

**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.

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, 2021 and 2020, the Foundation had \$7,595 and \$-0- in this category.

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

DECEMBER 31, 2021 AND 2020

**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 during the year ended December 31, 2021. This donor had a balance due to the Foundation of \$-0- as of December 31, 2021. Approximately 15% of its revenue and support was received from one major donor during the year ended December 31, 2020. This donor had a balance due to the Foundation of \$25,000 as of December 31, 2020.

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, 2021, the Foundation exceeded these limits by \$822,267.

**Note 7—Property and equipment**

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building	\$ 26,760	\$ -
Machinery and equipment	37,053	33,827
Furniture and equipment	20,402	14,700
Vehicles	<u>97,240</u>	<u>95,905</u>
	181,455	144,432
Less accumulated depreciation	<u>(65,039)</u>	<u>(58,166)</u>
	<u>\$ 116,416</u>	<u>\$ 86,266</u>

Depreciation expense was \$22,638 and \$20,508 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, rent expense totaled \$23,671 and \$39,879, respectively.

Future minimum lease payments under these lease agreements are:

2022	\$ 20,215
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**Note 9—Note payable**

Note payable at December 31, 2021 and 2020 consists of:

	<u>2021</u>	<u>2020</u>
Automobile loan, payable in monthly installments of \$505, 5.5% interest, through 2023, secured by automobile	\$ -	\$ 16,714
Less current maturities	-	(5,264)
Note payable, net	<u>\$ -</u>	<u>\$ 11,450</u>

**ROC SOLID FOUNDATION, INC.**  
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**Note 10—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>2021</u>	<u>2020</u>
Play It Forward	\$ 537,026	\$ 494,450
Ready bags	183,074	146,135
	<u>\$ 720,100</u>	<u>\$ 640,585</u>

As of December 31, 2021, there were \$-0- of outstanding contributions with donor-imposed restrictions for use in 2022 towards playsets for Play It Forward. At December 31, 2020, there were \$10,000 of outstanding contributions with donor-imposed restrictions for use in 2021 towards playsets for Play It Forward.

**Note 11—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 \$47,287 and \$6,470 for the years ended December 31, 2021 and 2020, respectively, and is included on the 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, 2021 and 2020.

*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.

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 changes in net assets and totaled \$2,852,690 and \$2,092,554 for the years ended December 31, 2021 and 2020, respectively.



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**Note 12—Paycheck Protection Program grant**

In April 2020, the Foundation received proceeds in the amount of \$109,600 under the Paycheck Protection Program (“PPP”). PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Foundation applied the government grant model in accordance with FASB ASC 958-605 in determining the recognition of PPP grant revenue in full on the statements of activities and change in net assets. The Foundation received notice of forgiveness on November 27, 2020.

**Note 13—Risks and uncertainties**

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.

**Note 14—Subsequent events**

The Foundation has evaluated subsequent events through August 5, 2022, which is the date the financial statements were available to be issued.