# ROCK RECOVERY, INC.

**Arlington, Virginia**

**FINANCIAL REPORT**

**June 30, 2022**

## C O N T E N T S

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rock Recovery, Inc.
Arlington, Virginia

## Opinion

We have audited the financial statements of Rock Recovery, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and cash flows for the years ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Rock Recovery, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
November 14, 2022

## ROCK RECOVERY, INC.

### Statements of Financial Position
June 30, 2022 and 2021

| **Assets** | **2022** | **2021** |
|---|---|---|
| Cash and cash equivalents | $ 333,913 | $ 240,540 |
| Prepaid expenses | 2,332 | 1,638 |
| Investments | 9,266 | 7,669 |
| Total assets | $ 345,511 | $ 249,847 |
| **Liabilities and Net Assets** | | |
| **Liabilities,** accounts payable and accrued expenses | $ 7,524 | $ 17,803 |
| **Net Assets,** without donor restrictions | 337,987 | 232,044 |
| Total liabilities and net assets | $ 345,511 | $ 249,847 |

See Notes to Financial Statements.

**ROCK RECOVERY, INC.**

**Statement of Activities**
For the Year Ended June 30, 2022

| | |
|---|---|
| **Without Donor Restrictions** | |
| **Support and Revenue** | |
| Contributions and grants | $ 350,174 |
| Program service fees | 106,890 |
| Events income, net | 35,797 |
| Investment return | 814 |
| Other income | 9,551 |
| Total support and revenue | 503,226 |
| **Expenses** | |
| Program services | 298,373 |
| Management and general | 47,581 |
| Fundraising | 51,329 |
| Total expenses | 397,283 |
| Change in net assets | 105,943 |
| **Net Assets,** beginning of year | 232,044 |
| **Net Assets,** end of year | $ 337,987 |

See Notes to Financial Statements.

**ROCK RECOVERY, INC.**

**Statement of Activities**
For the Year Ended June 30, 2021

| | |
|---|---|
| **Without Donor Restrictions** | |
| **Support and Revenue** | |
| Contributions and grants | $ 255,648 |
| Program service fees | 97,820 |
| Events income, net | 53,137 |
| Investment return | 1,342 |
| Other income | 5,610 |
| Total support and revenue | 413,557 |
| **Expenses** | |
| Program services | 246,436 |
| Management and general | 51,651 |
| Fundraising | 56,372 |
| Total expenses | 354,459 |
| Change in net assets | 59,098 |
| **Net Assets,** beginning of year | 172,946 |
| **Net Assets,** end of year | $ 232,044 |

See Notes to Financial Statements.

**ROCK RECOVERY, INC.**

**Statements of Cash Flows**

For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 105,943 | $ 59,098 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Unrealized (gain) on investments | (814) | (1,342) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in prepaid expenses | (694) | 14 |
| (Decrease) increase in accounts payable and accrued expenses | (10,279) | 11,924 |
| Net cash provided by operating activities | 94,156 | 69,694 |
| **Cash Flows from Investing Activities** | | |
| Investments purchased | (783) | - - |
| Investments acquired by contribution | - - | (1,091) |
| Net cash (used in) investing activities | (783) | (1,091) |
| Change in cash and cash equivalents | 93,373 | 68,603 |
| **Cash and Cash Equivalents** | | |
| Beginning of year | 240,540 | 171,937 |
| End of year | $ 333,913 | $ 240,540 |

See Notes to Financial Statements.

## Note 1. Nature of Organization

Rock Recovery, Inc. (the "Organization") is a not for profit that operates affordable outpatient recovery programs in the DC Metro area (including DC, MD and VA) for individuals with disordered eating and provides educational and empowerment programs for communities nationwide.

A summary of the Organization's significant accounting policies are as follows:

### Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting.

### Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets. They are as follows:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.
- With Donor Restrictions – Net assets subject to donor-imposed stipulations that can be filled by actions of the Organization pursuant to those stipulations that expire by the passage of time, or that must be maintained permanently by the Organization.

The Organization did not have any net assets with donor restrictions as of June 30, 2022 and 2021.

### Revenue Recognition

*Revenue Recognition Methodology for Exchange Transactions*

For exchange transactions, the Organization recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as June 30, 2022 and 2021.

*Revenue Recognition Methodology for Contributions*

Contributions are recognized when received or unconditionally promised. The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the 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 statement of activities as net assets released from restrictions.

Gifts of land, property and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, The Organization reports expirations of donor restrictions when the donated or acquired long lived assets are placed in service.

Donor-restricted contributions whose restrictions are met in the same year as received are classified as contributions without donor restrictions in the accompanying financial statements.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized, or are treated as a refundable advance, until the conditions on which they depend have been met.

*Revenue Streams*

The Organization receives various sources of revenue.

Contributions and grants are recognized when received. There were no conditional promises to give or refundable advances as of June 30, 2022 and 2021.

Program service fees includes revenue from clinical services provided to clients. This revenue represents an exchange transaction and is recognized over time as the services are provided. The Organization does not receive funds in advance of services rendered.

Event income is net of direct costs on the statement of activities and is recognized at a point in time, when the event occurs. Event income represents fees from community events (workshops and webinars) as well as revenue from the Organization's annual benefit dinner. Event income includes a combination of exchange transactions (registration fees, ticket sales and auction income) and contributions. Contributions included in event income, net for fiscal year 2022 and 2021 were $26,400 and $21,268, respectively.

Other income is recognized at the time of receipt.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

## Tax-Exempt Status

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

## Uncertain Tax Positions

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings and believes that there are no such tax positions requiring accounting recognition or disclosure in the financial statements.

The Organization reports accrued interest related to unrecognized tax benefits as interest expense and penalties as an expense line item.

The Organization's tax returns are subject to examination by taxing authorities for all years ended on or after June 30, 2019. There are currently no tax years under examination; no tax benefits or expenses related to examinations are included in these financial statements.

## Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the schedules of functional expenses. Certain costs have been allocated among program services, management and general and fundraising. Such allocations have been made by management on an equitable basis. Allocations are as follows:

| Expense | Method of Allocation |
|---|---|
| Fees for services | Direct Allocation |
| Advertising and promotion | Direct Allocation |
| Office expenses | Direct Allocation |
| Information technology | Direct Allocation |
| Travel | Direct Allocation |
| Conferences, conventions, and meetings | Direct Allocation |
| Insurance | Time and Effort |
| Occupancy | Time and Effort |
| Registration fees | Direct Allocation |
| Salaries, benefits and taxes | Time and Effort |
| Other expenses | Direct Allocation |

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period.  Actual results could differ from those estimates.

### New Accounting Pronouncement

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities, for Contributed Nonfinancial Assets (Topic 958), which requires not-for-profits to change their financial statement presentation and disclosure of contributed nonfinancial assets or gifts-in-kind. ASU No. 2020-07 was effective for the Organization for its year ended June 30, 2022. There were no significant contributions of nonfinancial assets during the years ended June 30, 2022 and 2021, respectively. Therefore, no changes were made to the accompanying financial statements in relation to the standard.

### Upcoming Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for its year ending June 30, 2023. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

### Advertising and Promotion Costs

The Organization expenses advertising and promotion costs as incurred. Advertising and promotion costs were $1,786 and $1,917 for the years ended June 30, 2022 and 2021.

### Fair Value of Financial Instruments

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

> Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
>
> Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded

transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

*Mutual Funds and Equities*

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The carrying amounts of the Organization's financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Note 2. Liquidity and Availability of Resources

The Organization had the following financial assets available within one year of the statement of financial position to meet cash needs for general expenditure. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

| | 2022 | 2021 |
|---|---|---|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | $ 333,913 | $ 240,540 |
| Investments | 9,266 | 7,669 |
| | 343,179 | 248,209 |
| Less those unavailable for general expenditure within one year, due to donor-imposed restrictions | - - | - - |
| Financial assets available to meet cash needs for general expenditure within one year | $ 343,179 | $ 248,209 |

## Note 3. Office Space Lease

The Organization rents office space in Arlington, Virginia. During fiscal year 2021, the Organization signed an amendment to its original lease (dated in 2018). In the Organization's original three-year lease, rent was as follows per month for each of the three years respectively: $1,971, $2,021 and $2,071. With the amendment signed in September of 2020, the Organization pays $2,040 per month, received one month of rent abatement and the lease agreement is for a one-year period, maturing on March 31, 2022. During fiscal year 2022, the Organization signed another amendment to its original lease (dated in 2018). With the amendment signed in December of 2021, the Organization pays $2,040 per month and the lease agreement is for a thirteen-month period, maturing on April 30, 2023.

Total rent expense during the years ended June 30, 2022 and 2021 was $22,522 and $22,363.

## Note 4. Subsequent Events

Management has evaluated all subsequent events through November 14, 2022, the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition or disclosure.

## Note 5. Schedules of Functional Expenses

The schedules of functional expenses for the years ended June 30, 2022 and 2021 were as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total |
| Fees for services | $ 57,361 | $ 18,839 | $ 1,134 | $ 77,334 |
| Advertising and promotion | 1,786 | - - | - - | 1,786 |
| Office expenses | 9,936 | 91 | 1,342 | 11,369 |
| Information technology | 5,061 | 1,461 | 3,720 | 10,242 |
| Travel | 1,116 | - - | 250 | 1,366 |
| Conferences, conventions, and meetings | 1,666 | - - | 255 | 1,921 |
| Insurance | 2,656 | 306 | 519 | 3,481 |
| Occupancy | 17,159 | 1,984 | 3,379 | 22,522 |
| Registration fees | 55 | 1,991 | 1,754 | 3,800 |
| Salaries, benefits and taxes | 200,318 | 22,909 | 38,926 | 262,153 |
| Other expenses | 1,259 | - - | 50 | 1,309 |
| Total | $ 298,373 | $ 47,581 | $ 51,329 | $ 397,283 |

| | 2021 | | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total |
| Fees for services | $ 35,222 | $ 7,092 | $ 436 | $ 42,750 |
| Advertising and promotion | 1,892 | - - | 25 | 1,917 |
| Office expenses | 8,557 | 117 | 547 | 9,221 |
| Information technology | 3,344 | 689 | 3,600 | 7,633 |
| Travel | 1,009 | - - | 313 | 1,322 |
| Conferences, conventions, and meetings | 1,085 | 24 | 198 | 1,307 |
| Insurance | 2,399 | 513 | 621 | 3,533 |
| Occupancy | 15,185 | 3,244 | 3,934 | 22,363 |
| Registration fees | 361 | 1,590 | 1,012 | 2,963 |
| Salaries, benefits and taxes | 176,337 | 37,677 | 45,686 | 259,700 |
| Other expenses | 1,045 | 705 | - - | 1,750 |
| Total | $ 246,436 | $ 51,651 | $ 56,372 | $ 354,459 |

## Note 6. Simple IRA Plan

The Organization has a Simple IRA plan for its employees. The Organization matches up to 3% of salaries. Employees can contribute to the plan upon hire. Retirement expense was $6,379 and $6,168 for the years ended June 30, 2022 and 2021, respectively.

## Note 7. Investments

Investments as of June 30, 2022 and 2021 were as follows:

| | 2022 | | |
|---|---|---|---|
| | Cost | Market Value | Unrealized Appreciation |
| Cash and cash equivalents | $ 616 | $ 616 | $ - - |
| Mutual funds | 2,080 | 2,180 | 100 |
| Equities | 3,362 | 6,470 | 3,108 |
| Total | $ 6,058 | $ 9,266 | $ 3,208 |

| | 2021 | | |
|---|---|---|---|
| | Cost | Market Value | Unrealized Appreciation |
| Cash and cash equivalents | $ 496 | $ 496 | $ - - |
| Mutual funds | 2,045 | 2,751 | 706 |
| Equities | 3,071 | 4,422 | 1,351 |
| Total | $ 5,612 | $ 7,669 | $ 2,057 |

## Note 8. Fair Value of Investments

The following table presents the balance of financial assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Level 1 | | Level 2 | | Level 3 | |
| Cash and cash equivalents | $ | 616 | $ | - - | $ | - - |
| Mutual funds | | 2,180 | | - - | | - - |
| Equities | | 6,470 | | - - | | - - |
| Total | $ | 9,266 | $ | - - | $ | - - |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Level 1 | | Level 2 | | Level 3 | |
| Cash and cash equivalents | $ | 496 | $ | - - | $ | - - |
| Mutual funds | | 2,751 | | - - | | - - |
| Equities | | 4,422 | | - - | | - - |
| Total | $ | 7,669 | $ | - - | $ | - - |