ROCK RECOVERY, INC.

Arlington, Virginia

FINANCIAL REPORT

June 30, 2021

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
November 1, 2021

ROCK RECOVERY, INC.

Statement of Financial Position

June 30, 2021

Assets		
Assets		
Cash and cash equivalents	$	240,540
Prepaid expenses		1,638
Investments		7,669
Total assets	$	249,847
Liabilities and Net Assets		
Liabilities, accounts payable and accrued expenses	$	17,803
Net Assets, without donor restrictions		232,044
Total liabilities and net assets	$	249,847

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.

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash Flows from Operating Activities		
Change in net assets	$	59,098
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Unrealized (gain) on investments		(1,342)
Changes in assets and liabilities:		
Decrease in prepaid expenses		14
Increase in accounts payable and accrued expenses		11,924
Net cash provided by operating activities		69,694
Cash Flows from Investing Activities,		
investment acquired by contribution		(1,091)
Change in cash and cash equivalents		68,603
Cash and Cash Equivalents		
Beginning of year		171,937
End of year	$	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, 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 at June 30, 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, 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 2021 were $21,268.

Other income is recognized at the time of receipt.

Cash and Cash Equivalents

For purposes of the statement 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.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the schedule 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 Pronouncements

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received and made, as applicable, by the Organization for its year ended June 30, 2021. The Organization implemented the provisions of ASU 2018-08 for contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08. The Organization does not make contributions.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five-step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for the Organization for its year ended June 30, 2021. The Organization implemented the provisions of ASU 2014-09 in the accompanying financial statements. Analysis of various provisions of the standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced with the standard.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return. The guidance replaces the three classes of net assets with two new classes of net assets, which are based on the existence of absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classifications in a single location in the financial statements. The Organization implemented ASU No. 2016-14 in the current year. Adoption of this new standard had no effect on the change in net assets or in total.

Upcoming Accounting Pronouncements

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. ASU No. 2020-07 is effective for the Organization for its year ended June 30, 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

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 ended 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 $1,917 for the year ended June 30, 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 year ended June 30, 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.

Financial assets, at year-end:	
Cash and cash equivalents	$ 240,540
Investments	7,669
	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	$ 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.

Total rent expense during the year ended June 30, 2021 was $22,363.

Note 4. Subsequent Events

Management has evaluated all subsequent events through November 1, 2021, 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. Schedule of Functional Expenses

The schedule of functional expenses for the year ended June 30, 2021 was as follows:

	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 $6,168 for the year ended June 30, 2021.

Note 7. Investments

Investments as of June 30, 2021 were as follows:

	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, 2021:

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