



**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC.  
AND ROCA BALTIMORE LLC**

**COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**

Contents  
June 30, 2020 and 2019

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## Independent Auditor's Report

To the Board of Directors of  
Roca, Inc., Roca Pallin Youth Center, Inc. and Roca Baltimore LLC:

### **Report on the Combining Financial Statements**

We have audited the accompanying combining financial statements of Roca, Inc. and Roca Pallin Youth Center, Inc. (Massachusetts corporations, not for profit) and Roca Baltimore LLC (a Delaware limited liability company), which comprise the combining statements of financial position as of June 30, 2020 and 2019, and the related combining statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combining financial statements.

### ***Management's Responsibility for the Combining Financial Statements***

Management is responsible for the preparation and fair presentation of these combining 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 combining 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 combining financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combining financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combining 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 combining financial statements referred to above present fairly, in all material respects, the combining financial position of Roca, Inc., Roca Pallin Youth Center, Inc. and Roca Baltimore LLC as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*AAFCPAs, Inc.*

Boston, Massachusetts  
January 7, 2021

ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC

Combining Statement of Financial Position  
June 30, 2020

	Roca, Inc.			Roca Pallin Youth Center, Inc.	Roca Baltimore, LLC			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total		
<b>Assets</b>									
Current Assets:									
Cash	\$ 3,204,452	\$ 522,877	\$ 3,727,329	\$ 500,778	\$ -	\$ 4,375,444	\$ 4,375,444	\$ -	\$ 8,603,551
Accounts receivable, net	4,090,370	-	4,090,370	-	796,368	-	796,368	-	4,886,738
Current portion of grants receivable	212,851	1,494,857	1,707,708	-	-	2,150,000	2,150,000	-	3,857,708
Prepaid expenses	80,236	-	80,236	838	44,433	-	44,433	-	125,507
Due from related party	10,120	-	10,120	53,081	22,584	-	22,584	(85,785)	-
Due to/from	-	-	-	-	(777,082)	777,082	-	-	-
Total current assets	7,598,029	2,017,734	9,615,763	554,697	86,303	7,302,526	7,388,829	(85,785)	17,473,504
Investments	6,830,425	1,532,168	8,362,593	1,209,396	-	-	-	-	9,571,989
Grants Receivable, net of discount and current portion	-	441,615	441,615	-	-	1,196,530	1,196,530	-	1,638,145
Property and Equipment, net	369,982	-	369,982	1,262,221	465,911	-	465,911	-	2,098,114
Total assets	\$ 14,798,436	\$ 3,991,517	\$ 18,789,953	\$ 3,026,314	\$ 552,214	\$ 8,499,056	\$ 9,051,270	\$ (85,785)	\$ 30,781,752
<b>Liabilities and Net Assets</b>									
Liabilities:									
Accounts payable	\$ 294,075	\$ -	\$ 294,075	\$ 13,490	\$ 99,407	\$ -	\$ 99,407	\$ -	\$ 406,972
Accrued expenses	470,104	-	470,104	454	186	-	186	-	470,744
Conditional advance	1,017,369	-	1,017,369	-	-	-	-	-	1,017,369
Due to related party	73,559	-	73,559	11,910	316	-	316	(85,785)	-
Total liabilities	1,855,107	-	1,855,107	25,854	99,909	-	99,909	(85,785)	1,895,085
Net Assets:									
Without donor restrictions:									
Operating	3,285,229	-	3,285,229	1,350,697	(13,606)	-	(13,606)	-	4,622,320
Property and equipment	369,982	-	369,982	1,262,221	465,911	-	465,911	-	2,098,114
Board designated:									
Endowment	6,655,950	-	6,655,950	-	-	-	-	-	6,655,950
Operating reserve	1,100,000	-	1,100,000	125,000	-	-	-	-	1,225,000
Pay for success	1,532,168	-	1,532,168	-	-	-	-	-	1,532,168
Capital improvements	-	-	-	262,542	-	-	-	-	262,542
Total without donor restrictions	12,943,329	-	12,943,329	3,000,460	452,305	-	452,305	-	16,396,094
With donor restrictions	-	3,991,517	3,991,517	-	-	8,499,056	8,499,056	-	12,490,573
Total net assets	12,943,329	3,991,517	16,934,846	3,000,460	452,305	8,499,056	8,951,361	-	28,886,667
Total liabilities and net assets	\$ 14,798,436	\$ 3,991,517	\$ 18,789,953	\$ 3,026,314	\$ 552,214	\$ 8,499,056	\$ 9,051,270	\$ (85,785)	\$ 30,781,752

ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC

Combining Statement of Financial Position  
June 30, 2019

Assets	Roca, Inc.			Roca Pallin Youth Center, Inc.	Roca Baltimore, LLC			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total		
Current Assets:									
Cash	\$ 1,323,462	\$ 689,419	\$ 2,012,881	\$ 371,054	\$ -	\$ 3,768,405	\$ 3,768,405	\$ -	\$ 6,152,340
Accounts receivable, net	3,481,374	-	3,481,374	-	566,733	-	566,733	-	4,048,107
Current portion of grants receivable	-	1,392,385	1,392,385	-	-	2,218,333	2,218,333	-	3,610,718
Prepaid expenses	80,542	-	80,542	-	27,845	-	27,845	-	108,387
Due from related party	448,582	-	448,582	152,021	72,606	-	72,606	(673,209)	-
Due to/from	(286,593)	286,593	-	-	(376,360)	376,360	-	-	-
Total current assets	5,047,367	2,368,397	7,415,764	523,075	290,824	6,363,098	6,653,922	(673,209)	13,919,552
Investments	6,914,992	1,323,462	8,238,454	1,193,093	-	-	-	-	9,431,547
Grants Receivable, net of discount and current portion	-	834,715	834,715	-	-	3,476,395	3,476,395	-	4,311,110
Property and Equipment, net	437,207	-	437,207	1,283,975	232,762	-	232,762	-	1,953,944
Total assets	\$ 12,399,566	\$ 4,526,574	\$ 16,926,140	\$ 3,000,143	\$ 523,586	\$ 9,839,493	\$ 10,363,079	\$ (673,209)	\$ 29,616,153
<b>Liabilities and Net Assets</b>									
Liabilities:									
Accounts payable	\$ 281,429	\$ -	\$ 281,429	\$ 10,348	\$ 38,955	\$ -	\$ 38,955	\$ -	\$ 330,732
Accrued expenses	469,408	-	469,408	454	52,975	-	52,975	-	522,837
Conditional advance	2,106	-	2,106	-	-	-	-	-	2,106
Due to related party	224,627	-	224,627	127,612	320,970	-	320,970	(673,209)	-
Total liabilities	977,570	-	977,570	138,414	412,900	-	412,900	(673,209)	855,675
Net Assets:									
Without donor restrictions:									
Operating	1,984,950	-	1,984,950	1,190,212	(122,076)	-	(122,076)	-	3,053,086
Property and equipment	437,207	-	437,207	1,283,975	232,762	-	232,762	-	1,953,944
Board designated:									
Endowment	6,576,377	-	6,576,377	-	-	-	-	-	6,576,377
Operating reserve	1,100,000	-	1,100,000	125,000	-	-	-	-	1,225,000
Pay for success	1,323,462	-	1,323,462	-	-	-	-	-	1,323,462
Capital improvements	-	-	-	262,542	-	-	-	-	262,542
Total without donor restrictions	11,421,996	-	11,421,996	2,861,729	110,686	-	110,686	-	14,394,411
With donor restrictions	-	4,526,574	4,526,574	-	-	9,839,493	9,839,493	-	14,366,067
Total net assets	11,421,996	4,526,574	15,948,570	2,861,729	110,686	9,839,493	9,950,179	-	28,760,478
Total liabilities and net assets	\$ 12,399,566	\$ 4,526,574	\$ 16,926,140	\$ 3,000,143	\$ 523,586	\$ 9,839,493	\$ 10,363,079	\$ (673,209)	\$ 29,616,153

The accompanying notes are an integral part of these combining statements.

ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC

Combining Statement of Activities  
For the Year Ended June 30, 2020

	Roca, Inc.			Roca Pallin Youth Center, Inc.	Roca Baltimore, LLC			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total		
<b>Operating Support and Revenues:</b>									
Contract revenue	\$ 7,577,051	\$ -	\$ 7,577,051	\$ -	\$ 900,645	\$ -	\$ 900,645	\$ (788,290)	\$ 7,689,406
Grants and contributions	2,721,457	2,022,856	4,744,313	-	102,317	475,000	577,317	-	5,321,630
Special events, net	383,912	-	383,912	-	5,975	-	5,975	-	389,887
Donated goods and services	232,048	-	232,048	-	16,927	-	16,927	-	248,975
Interest and other	48,165	-	48,165	380	34,110	-	34,110	-	82,655
Rental income	-	-	-	618,327	-	-	-	(609,897)	8,430
Net assets released from time restrictions	500,522	(500,522)	-	-	345,000	(345,000)	-	-	-
Net assets released from purpose restrictions	2,117,391	(2,117,391)	-	-	1,470,437	(1,470,437)	-	-	-
<b>Total operating support and revenues</b>	<b>13,580,546</b>	<b>(595,057)</b>	<b>12,985,489</b>	<b>618,707</b>	<b>2,875,411</b>	<b>(1,340,437)</b>	<b>1,534,974</b>	<b>(1,398,187)</b>	<b>13,740,983</b>
<b>Operating Expenses:</b>									
Program services	9,376,647	-	9,376,647	-	2,060,926	-	2,060,926	(555,910)	10,881,663
General and administrative	2,289,985	-	2,289,985	33,298	666,677	-	666,677	(633,298)	2,356,662
Development	494,901	-	494,901	5,463	-	-	-	(5,463)	494,901
Rental property	-	-	-	457,517	-	-	-	(203,516)	254,001
<b>Total operating expenses</b>	<b>12,161,533</b>	<b>-</b>	<b>12,161,533</b>	<b>496,278</b>	<b>2,727,603</b>	<b>-</b>	<b>2,727,603</b>	<b>(1,398,187)</b>	<b>13,987,227</b>
Changes in net assets from operations	1,419,013	(595,057)	823,956	122,429	147,808	(1,340,437)	(1,192,629)	-	(246,244)
<b>Non-operating Revenue:</b>									
Capital grant	-	60,000	60,000	-	193,811	-	193,811	-	253,811
Investment return, net	102,320	-	102,320	16,302	-	-	-	-	118,622
<b>Total non-operating revenue</b>	<b>102,320</b>	<b>60,000</b>	<b>162,320</b>	<b>16,302</b>	<b>193,811</b>	<b>-</b>	<b>193,811</b>	<b>-</b>	<b>372,433</b>
<b>Changes in net assets</b>	<b>\$ 1,521,333</b>	<b>\$ (535,057)</b>	<b>\$ 986,276</b>	<b>\$ 138,731</b>	<b>\$ 341,619</b>	<b>\$ (1,340,437)</b>	<b>\$ (998,818)</b>	<b>\$ -</b>	<b>\$ 126,189</b>

ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC

Combining Statement of Activities  
For the Year Ended June 30, 2019

	Roca, Inc.			Roca Pallin Youth Center, Inc.	Roca Baltimore, LLC			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total		
<b>Operating Support and Revenues:</b>									
Contract revenue	\$ 8,714,577	\$ -	\$ 8,714,577	\$ -	\$ 566,541	\$ -	\$ 566,541	\$ (775,337)	\$ 8,505,781
Grants and contributions	1,409,633	1,722,168	3,131,801	-	314,578	2,948,750	3,263,328	-	6,395,129
Special events, net	578,238	-	578,238	-	-	-	-	-	578,238
Donated goods and services	192,902	-	192,902	-	166,892	-	166,892	-	359,794
Interest and other	14,010	-	14,010	2,055	21,549	-	21,549	-	37,614
Rental income	-	-	-	569,161	-	-	-	(564,015)	5,146
Net assets released from time restrictions	698,890	(698,890)	-	-	-	-	-	-	-
Net assets released from purpose restrictions	1,742,637	(1,742,637)	-	-	1,339,757	(1,339,757)	-	-	-
Total operating support and revenues	13,350,887	(719,359)	12,631,528	571,216	2,409,317	1,608,993	4,018,310	(1,339,352)	15,881,702
<b>Operating Expenses:</b>									
Program services	9,939,116	-	9,939,116	-	1,726,810	-	1,726,810	(531,211)	11,134,715
General and administrative	2,341,673	-	2,341,673	26,124	571,821	-	571,821	(597,945)	2,341,673
Development	600,342	-	600,342	6,680	-	-	-	(6,680)	600,342
Rental property	-	-	-	460,367	-	-	-	(203,516)	256,851
Total operating expenses	12,881,131	-	12,881,131	493,171	2,298,631	-	2,298,631	(1,339,352)	14,333,581
Changes in net assets from operations	469,756	(719,359)	(249,603)	78,045	110,686	1,608,993	1,719,679	-	1,548,121
<b>Non-operating Revenue:</b>									
Investment return, net	386,912	-	386,912	43,008	-	-	-	-	429,920
Changes in net assets	\$ 856,668	\$ (719,359)	\$ 137,309	\$ 121,053	\$ 110,686	\$ 1,608,993	\$ 1,719,679	\$ -	\$ 1,978,041

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC**

Combining Statements of Changes in Net Assets  
For the Years Ended June 30, 2020 and 2019

	Roca, Inc.			Roca Pallin Youth Center, Inc.	Roca Baltimore, LLC			Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Net Assets, June 30, 2018</b>	\$ 10,565,328	\$ 5,245,933	\$ 15,811,261	\$ 2,740,676	\$ -	\$ 8,230,500	\$ 8,230,500	\$ 26,782,437
Changes in net assets	856,668	(719,359)	137,309	121,053	110,686	1,608,993	1,719,679	1,978,041
<b>Net Assets, June 30, 2019</b>	11,421,996	4,526,574	15,948,570	2,861,729	110,686	9,839,493	9,950,179	28,760,478
Changes in net assets	1,521,333	(535,057)	986,276	138,731	341,619	(1,340,437)	(998,818)	126,189
<b>Net Assets, June 30, 2020</b>	<u>\$ 12,943,329</u>	<u>\$ 3,991,517</u>	<u>\$ 16,934,846</u>	<u>\$ 3,000,460</u>	<u>\$ 452,305</u>	<u>\$ 8,499,056</u>	<u>\$ 8,951,361</u>	<u>\$ 28,886,667</u>

The accompanying notes are an integral part of these combining statements.



ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC

Combining Statement of Cash Flows  
For the Year Ended June 30, 2020

	<u>Roca, Inc.</u>	<u>Roca Pallin Youth Center, Inc.</u>	<u>Roca Baltimore, LLC</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Changes in net assets	\$ 986,276	\$ 138,731	\$ (998,818)	\$ 126,189
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation	122,796	170,861	87,542	381,199
Bad debts	29,397	-	-	29,397
Change in discount on grants receivable	17,856	-	78,469	96,325
(Gain) loss on sale of property and equipment	-	5,126	(5,564)	(438)
Investment return, net	(102,320)	(16,302)	-	(118,622)
Changes in operating assets and liabilities:				
Accounts receivable	(638,393)	-	(229,635)	(868,028)
Grants receivable	59,921	-	2,269,729	2,329,650
Prepaid expenses	306	(838)	(16,588)	(17,120)
Due to/from related party	287,394	(16,762)	(270,632)	-
Accounts payable	12,646	3,142	60,452	76,240
Accrued expenses	696	-	(52,789)	(52,093)
Conditional advance	1,015,263	-	-	1,015,263
Net cash provided by operating activities	<u>1,791,838</u>	<u>283,958</u>	<u>922,166</u>	<u>2,997,962</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of investments	185,549	21,033	-	206,582
Purchase of investments	(207,368)	(21,034)	-	(228,402)
Proceeds from sale of property and equipment	-	8,300	18,100	26,400
Acquisition of property and equipment	(55,571)	(162,533)	(333,227)	(551,331)
Net cash used in investing activities	<u>(77,390)</u>	<u>(154,234)</u>	<u>(315,127)</u>	<u>(546,751)</u>
<b>Net Change in Cash</b>	1,714,448	129,724	607,039	2,451,211
<b>Cash:</b>				
Beginning of year	<u>2,012,881</u>	<u>371,054</u>	<u>3,768,405</u>	<u>6,152,340</u>
End of year	<u>\$ 3,727,329</u>	<u>\$ 500,778</u>	<u>\$ 4,375,444</u>	<u>\$ 8,603,551</u>
<b>Supplemental Disclosure of Non-Cash Activity:</b>				
Construction in process placed into service	<u>\$ 3,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,825</u>

The accompanying notes are an integral part of these combining statements.

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC**

Combining Statement of Cash Flows  
For the Year Ended June 30, 2019

	<u>Roca, Inc.</u>	<u>Roca Pallin Youth Center, Inc.</u>	<u>Roca Baltimore, LLC</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Changes in net assets	\$ 137,309	\$ 121,053	\$ 1,719,679	\$ 1,978,041
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation	159,458	168,011	22,102	349,571
Bad debts	31,916	-	-	31,916
Change in discount on grants receivable	17,298	-	82,219	99,517
Loss on sale of property and equipment	-	6,011	-	6,011
Investment return, net	(386,912)	(43,008)	-	(429,920)
Changes in operating assets and liabilities:				
Accounts receivable	(441,116)	-	(566,733)	(1,007,849)
Grants receivable	1,213,981	-	(1,336,047)	(122,066)
Prepaid expenses	15,406	-	(27,845)	(12,439)
Due to/from related party	(151,105)	(97,259)	248,364	-
Due to/from	(3,540,519)	-	3,540,519	-
Accounts payable	(166,113)	4,377	38,955	(122,781)
Accrued expenses	39,760	8	52,975	92,743
Conditional advance	(3,928)	-	-	(3,928)
Net cash provided by (used in) operating activities	<u>(3,074,565)</u>	<u>159,193</u>	<u>3,774,188</u>	<u>858,816</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of investments	83,148	10,845	-	93,993
Purchase of investments	(94,932)	(11,104)	-	(106,036)
Proceeds from sale of property and equipment	-	18,654	-	18,654
Acquisition of property and equipment	(27,058)	(103,956)	(198,585)	(329,599)
Net cash used in investing activities	<u>(38,842)</u>	<u>(85,561)</u>	<u>(198,585)</u>	<u>(322,988)</u>
<b>Net Change in Cash</b>	<b>(3,113,407)</b>	<b>73,632</b>	<b>3,575,603</b>	<b>535,828</b>
<b>Cash:</b>				
Beginning of year	<u>5,126,288</u>	<u>297,422</u>	<u>192,802</u>	<u>5,616,512</u>
End of year	<u>\$ 2,012,881</u>	<u>\$ 371,054</u>	<u>\$ 3,768,405</u>	<u>\$ 6,152,340</u>

The accompanying notes are an integral part of these combining statements.

ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE, LLC

Combining Statement of Functional Expenses  
For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020											2019							
	Roca, Inc.										Roca Pallin Youth Center, Inc.	Roca Baltimore, LLC							
	Program Services						Total Program Services	General and Administrative	Development	Total	Rental Property	Program Services	General and Administrative	Total	Eliminations	Total	Total		
	High-Risk Young Men			High-Risk Young Women															
Eastern Mass	Western Mass	Boston	Eastern Mass	Western Mass	Capacity Building	Impact Institute													
<b>Personnel and Related Costs:</b>																			
Salaries	\$ 1,382,203	\$ 1,242,240	\$ 748,791	\$ 648,579	\$ 324,941	\$ 71,398	\$ 171,248	\$ 4,589,400	\$ 1,138,814	\$ 193,848	\$ 5,922,062	\$ -	\$ 1,068,816	\$ 2,054	\$ 1,070,870	\$ -	\$ 6,992,932	\$ 7,138,579	
Fringe benefits	233,652	229,583	106,518	171,062	43,631	10,839	16,880	812,165	149,579	18,758	980,502	-	181,239	-	181,239	-	1,161,741	1,151,144	
Payroll taxes	136,574	121,380	69,239	62,500	28,494	6,551	14,349	439,087	97,689	16,451	553,227	-	92,271	-	92,271	-	645,498	677,826	
Youth wages	197,094	123,906	29,994	81,487	6,581	-	-	439,062	-	-	439,062	-	118,668	-	118,668	-	557,730	592,140	
Total personnel and related costs	1,949,523	1,717,109	954,542	963,628	403,647	88,788	202,477	6,279,714	1,386,082	229,057	7,894,853	-	1,460,994	2,054	1,463,048	-	9,357,901	9,559,689	
<b>Occupancy:</b>																			
Rent	164,617	119,098	100,559	114,621	52,003	1,494	3,148	555,540	25,593	5,463	586,596	-	139,275	-	139,275	(431,536)	294,335	264,674	
Repairs and maintenance	19,142	28,696	16,368	7,831	6,417	39	73	78,566	2,428	142	81,136	219,507	18,189	-	18,189	(122,390)	196,442	179,459	
Depreciation	-	47,214	7,060	-	16,238	-	-	70,512	6,534	-	77,046	57,479	-	-	-	-	134,525	179,065	
Utilities	29,066	7,411	5,654	23,333	12,485	324	566	78,839	5,455	1,175	85,469	7,817	19,553	-	19,553	-	112,839	126,400	
Insurance	6,069	7,541	1,800	2,340	2,882	46	97	20,775	3,025	168	23,968	-	2,356	-	2,356	-	26,324	27,677	
Total occupancy	218,894	209,960	131,441	148,125	90,025	1,903	3,884	804,232	43,035	6,948	854,215	284,803	179,373	-	179,373	(553,926)	764,465	777,275	
<b>Other:</b>																			
Consultants and contracted services	95,804	128,209	7,080	105,636	8,324	432,500	77,089	854,642	350,111	198,035	1,402,788	65,900	48,899	646,659	695,558	(665,900)	1,498,346	1,524,084	
Vehicle and related	123,021	148,531	96,931	36,439	30,120	-	-	435,042	11,949	-	446,991	11,943	75,982	-	75,982	(178,361)	356,555	371,940	
Program supplies and materials	106,839	86,043	22,011	36,142	13,846	28	4,260	269,169	11,837	70	281,076	-	53,396	12,886	66,282	-	347,358	440,425	
Depreciation	5,863	21,346	2,883	-	-	-	-	30,092	15,658	-	45,750	113,382	87,401	141	87,542	-	246,674	170,506	
Audit and legal fees	-	-	-	363	-	-	-	363	178,796	-	179,159	20,000	35,903	-	35,903	-	235,062	232,318	
Office supplies and equipment	38,984	32,696	16,894	25,637	11,410	919	2,044	128,584	68,803	9,219	206,606	-	23,109	301	23,410	-	230,016	222,705	
Emergency fund - COVID	94,399	30,640	6,124	30,497	10,694	72	361	172,787	10,336	696	183,819	-	4,860	-	4,860	-	188,679	-	
Communications	27,474	25,821	15,291	10,278	4,880	512	551	84,807	12,630	1,576	99,013	-	16,242	2,834	19,076	-	118,089	127,123	
Miscellaneous	14,535	24,777	4,576	5,335	2,439	140	136	51,938	38,136	1,967	92,041	250	16,068	5	16,073	-	108,364	152,517	
Insurance	18,605	14,474	8,010	10,676	1,985	522	921	55,193	34,180	1,570	90,943	-	17,372	-	17,372	-	108,315	103,564	
Program activities	42,291	19,506	7,243	4,803	8,381	-	-	82,224	6,828	-	89,052	-	14,989	-	14,989	-	104,041	141,330	
Information technology	11,298	10,324	5,562	5,906	2,446	303	531	36,370	42,342	1,120	79,832	-	7,318	-	7,318	-	87,150	135,142	
Training	13,965	16,498	1,693	9,597	4,925	409	3,002	50,089	16,213	8,928	75,230	-	866	1,797	2,663	-	77,893	109,990	
Travel	6,254	11,132	4,459	2,475	2,031	540	361	27,252	20,156	3,077	50,485	-	13,076	-	13,076	-	63,561	129,440	
Bad debts	-	-	-	-	-	-	-	-	29,397	-	29,397	-	-	-	-	-	-	29,397	31,916
Printing and postage	2,711	2,278	871	2,375	629	24	45	8,933	3,902	8,322	21,157	-	2,308	-	2,308	-	23,465	52,432	
Advertising	-	-	-	-	-	-	-	-	467	17,559	18,026	-	1,850	-	1,850	-	19,876	37,687	
Dues and subscriptions	1,043	926	368	462	171	24	96	3,090	6,498	5,058	14,646	-	920	-	920	-	15,566	6,094	
Membership and development	-	1,926	200	-	-	-	-	2,126	2,629	1,699	6,454	-	-	-	-	-	6,454	7,404	
Direct special event	-	-	-	-	-	-	-	-	-	3,855	3,855	-	-	-	-	-	3,855	71,433	
Total other	603,086	575,127	200,196	286,621	102,281	435,993	89,397	2,292,701	860,868	262,751	3,416,320	211,475	420,559	664,623	1,085,182	(844,261)	3,868,716	4,068,050	
Total expenses	2,771,503	2,502,196	1,286,179	1,398,374	595,953	526,684	295,758	9,376,647	2,289,985	498,756	12,165,388	496,278	2,060,926	666,677	2,727,603	(1,398,187)	13,991,082	14,405,014	
Less - direct special event activities included with revenues on the combining statement of activities	-	-	-	-	-	-	-	-	-	(3,855)	(3,855)	-	-	-	-	-	(3,855)	(71,433)	
Total expenses included in the combining statement of activities	\$ 2,771,503	\$ 2,502,196	\$ 1,286,179	\$ 1,398,374	\$ 595,953	\$ 526,684	\$ 295,758	\$ 9,376,647	\$ 2,289,985	\$ 494,901	\$ 12,161,533	\$ 496,278	\$ 2,060,926	\$ 666,677	\$ 2,727,603	\$ (1,398,187)	\$ 13,987,227	\$ 14,333,581	

	Roca, Inc.										Roca Pallin Youth Center, Inc.	Roca Baltimore, LLC				
	Program Services						Total Program Services	General and Administrative	Development	Total	Rental Property	Program Services	General and Administrative	Total	Eliminations	Total
	High-Risk Young Men			High-Risk Young Women												
	Eastern Mass	Western Mass	Boston	Eastern Mass	Western Mass	Capacity Building										
<b>Personnel and Related Costs:</b>																
Salaries	\$ 1,634,824	\$ 1,333,741	\$ 920,309	\$ 777,309	\$ 252,686	\$ 146,247	\$ 5,065,116	\$ 1,009,051	\$ 202,502	\$ 6,276,669	\$ -	\$ 861,910	\$ -	\$ 861,910	\$ -	\$ 7,138,579
Fringe benefits	268,569	236,417	126,138	167,318	39,613	18,508	856,563	135,036	23,060	1,014,659	-	136,485	-	136,485	-	1,151,144
Payroll taxes	160,157	128,254	84,429	75,408	23,967	12,519	484,734	102,309	18,435	605,478	-	72,348	-	72,348	-	677,826
Youth wages	205,133	147,760	59,526	98,310	14,552	-	525,281	-	-	525,281	-	66,859	-	66,859	-	592,140
Total personnel and related costs	2,268,683	1,846,172	1,190,402	1,118,345	330,818	177,274	6,931,694	1,246,396	243,997	8,422,087	-	1,137,602	-	1,137,602	-	9,559,689
<b>Occupancy:</b>																
Rent	140,645	89,023	100,796	99,635	16,678	1,973	448,750	19,667	6,680	475,097	-	111,000	-	111,000	(321,423)	264,674
Repairs and maintenance	14,374	23,787	19,122	4,057	2,052	80	63,472	3,977	570	68,019	235,905	13,151	-	13,151	(137,616)	179,459
Depreciation	-	55,332	17,949	-	14,296	-	87,577	31,420	-	118,997	60,068	-	-	-	-	179,065
Utilities	34,959	12,776	8,505	30,299	12,449	614	99,602	6,115	2,076	107,793	5,931	12,676	-	12,676	-	126,400
Insurance	6,309	10,012	1,861	2,373	2,310	58	22,923	1,846	197	24,966	-	2,711	-	2,711	-	27,677
Total occupancy	196,287	190,930	148,233	136,364	47,785	2,725	722,324	63,025	9,523	794,872	301,904	139,538	-	139,538	(459,039)	777,275
<b>Other:</b>																
Consultants and contracted services	71,843	94,443	9,290	46,767	37,356	449,598	709,297	517,379	231,992	1,458,668	65,906	65,410	571,821	637,231	(637,721)	1,524,084
Vehicle and related	168,660	188,355	103,344	58,195	24,195	-	542,749	28,978	815	572,542	8,634	33,356	-	33,356	(242,592)	371,940
Program supplies and materials	110,920	104,866	34,912	50,709	23,790	7	325,204	14,824	13,623	353,651	-	86,774	-	86,774	-	440,425
Depreciation	8,171	14,165	3,490	-	-	-	25,826	14,635	-	40,461	107,943	22,102	-	22,102	-	170,506
Audit and legal fees	5,800	-	-	2,950	-	-	8,750	79,489	-	88,239	8,330	135,749	-	135,749	-	232,318
Office supplies and equipment	29,317	30,236	20,137	19,045	5,740	1,242	105,717	65,200	23,906	194,823	-	27,882	-	27,882	-	222,705
Communications	32,655	30,028	17,676	13,528	3,864	937	98,688	21,770	2,273	122,731	-	4,392	-	4,392	-	127,123
Miscellaneous	23,240	21,855	7,907	7,002	3,035	317	63,356	67,207	12,457	143,020	269	9,228	-	9,228	-	152,517
Insurance	20,717	15,847	10,316	10,461	1,349	781	59,471	30,838	2,585	92,894	-	10,670	-	10,670	-	103,564
Program activities	46,010	28,045	21,942	13,173	10,856	-	120,026	6,886	-	126,912	-	14,418	-	14,418	-	141,330
Information technology	28,377	25,048	15,773	13,288	3,043	970	86,499	38,906	3,672	129,077	-	6,065	-	6,065	-	135,142
Training	24,649	29,954	12,103	11,860	1,332	960	80,858	15,718	1,317	97,893	-	12,097	-	12,097	-	109,990
Travel	8,498	7,592	7,042	3,093	3,874	1,703	31,802	79,626	10,502	121,930	-	7,510	-	7,510	-	129,440
Bad debts	-	-	-	-	-	-	-	31,916	-	31,916	-	-	-	-	-	31,916
Printing and postage	7,855	4,880	3,171	4,170	3,315	66	23,457	8,543	16,265	48,265	185	3,982	-	3,982	-	52,432
Advertising	-	200	-	-	-	-	200	5,179	22,638	28,017	-	9,670	-	9,670	-	37,687
Dues and subscriptions	186	347	-	-	-	10	543	3,049	2,137	5,729	-	365	-	365	-	6,094
Membership and development	-	2,655	-	-	-	-	2,655	2,109	2,640	7,404	-	-	-	-	-	7,404
Direct special event	-	-	-	-	-	-	-	-	71,433	71,433	-	-	-	-	-	71,433
Total other	586,898	598,516	267,103	254,241	121,749	456,591	2,285,098	1,032,252	418,255	3,735,605	191,267	449,670	571,821	1,021,491	(880,313)	4,068,050
Total expenses	3,051,868	2,635,618	1,605,738	1,508,950	500,352	636,590	9,939,116	2,341,673	671,775	12,952,564	493,171	1,726,810	571,821	2,298,631	(1,339,352)	14,405,014
Less - direct special event activities included with revenues on the combining statement of activities	-	-	-	-	-	-	-	-	(71,433)	(71,433)	-	-	-	-	-	(71,433)
Total expenses included in the combining statement of activities	\$ 3,051,868	\$ 2,635,618	\$ 1,605,738	\$ 1,508,950	\$ 500,352	\$ 636,590	\$ 9,939,116	\$ 2,341,673	\$ 600,342	\$ 12,881,131	\$ 493,171	\$ 1,726,810	\$ 571,821	\$ 2,298,631	\$ (1,339,352)	\$ 14,333,581

**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

Since its inception in 1988, Roca, Inc. (Roca), an educational institution and community development organization, has helped more than 20,000 young people make positive, profound changes in their lives by creating a nationally acclaimed model of transformational relationships as a vehicle for youth development and pioneering effective local, regional and national relationships with government, state, religious, health and community partners.

Roca's mission is to disrupt the cycle of incarceration and poverty by helping young people transform their lives. Roca has developed and operates an Intervention Model designed to help the most high-risk young people break the destructive cycles of poverty, violence and perpetual incarceration. The Intervention Model is a cognitive restructuring model that pushes young people to identify, confront and overcome destructive behaviors and learn the skill needed to re-engage and succeed in society, education, and the economy.

The primary focus of Roca's work is with very high risk young men. Providing two years of intensive services with an additional two years of less intensive follow up. Roca seeks out the most difficult, challenging individuals for whom other programming has failed, and systematically works to establish positive, consistent relationships built on trust and respect. These relationships are then used as a vehicle to push young people towards goals of social and educational engagement resulting in employment and reduced recidivism.

Roca is demonstrating a powerful solution to violence and poverty and is unique in the work that it does. Roca's work is based on a simple, but powerful theory: when young people are re-engaged through positive and intensive relationships they can gain competencies in life skills, education and employment, and move toward economic independence and living out of harm's way. The validity of that theory is being proven by the success of Roca's Intervention Model. Roca helps young people learn and practice the critical life, academic and employment skills they need, and employs evidence-based methods for engaging young people in cognitive-restructuring activities.

To the best of our knowledge, Roca's Intervention Model for very high-risk young people is the only full-time, long-term, intervention program, based on the combined principles of cognitive restructuring, skills development, motivational interviewing, and transitional employment delivered on the street for this population by a non-mandating authority.

Roca's programming is currently headquartered in Chelsea, Massachusetts with additional sites in Boston, Holyoke, Lynn and Springfield, Massachusetts. Roca provides services to young men in the following communities: Agawam, Boston, Cambridge, Chelsea, Chicopee, East Boston, Everett, Charlestown, Holyoke, Ludlow, Lynn, Malden, Revere, Somerville, Springfield, Westfield, West Springfield and Winthrop, Massachusetts. In addition, Roca operates an out of state location in Baltimore, MD. This site is exclusively serving high-risk young men.

In addition to the work with young men, Roca continues to work with young mothers in Cambridge, Chelsea, East Boston, Everett, Malden, Revere and Somerville in eastern Massachusetts. In addition, Roca served young mothers in Springfield and Holyoke in western Massachusetts. Roca serves over 200 young mothers each year by delivering a cognitive restructuring model for very high risk young mothers. Designed for young mothers who are unable to engage in traditional work or programming, this Intervention Model, similar to that described above, combines evidence-based practices to help young mothers create significant behavior changes in their lives, ultimately increasing their levels of educational attainment, employment and parenting skills.

## **ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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### **1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **OPERATIONS AND NONPROFIT STATUS (Continued)**

In January 2014, Roca began the ten and a half year partnership with the Commonwealth of Massachusetts (the Commonwealth) (through the Executive Office for Administration and Finance), Youth Services, Inc. (the project intermediary), and a host of private investors for the Pay for Success project (PFS). PFS will reduce incarceration and increase employment among high risk justice system involved young men, young men who without successful intervention face extraordinarily high rates of adult incarceration and poverty. This original contract expired in December 31, 2019, but Roca, the Commonwealth and Youth Services, Inc. signed a 3.75 year extension to the contract, effective January 1, 2020.

Through PFS, the Commonwealth contracts with Roca to produce better social and fiscal outcomes for the corrections system. The innovation in this project, however, is in the structure of the contract. The Commonwealth only pays for Roca's services if and when better outcomes are achieved, thereby removing the financial burden from the public and generating long-term cost savings.

To pay for the front end services, private capital has been raised and invested in the project implementation, with the goal of a financial return to the investors when savings are produced for the Commonwealth. As one of the first PFS projects in the country, the Massachusetts project will utilize Roca's Intervention Model to help these young men gain competencies in life skills, education and employment and move toward economic independence and living out of harm's way. Through PFS, Roca will provide its Intervention Model to an estimated 1,032 high-risk young men from 21 communities statewide.

Roca Pallin Youth Center, Inc. (Roca Pallin) was incorporated in December 1996. Roca Pallin is an affiliated not-for-profit corporation, sharing a common Board of Directors with Roca. Roca Pallin is organized for the exclusive purpose of holding title to property and collecting rental income on the property and vehicles.

Roca Baltimore LLC (Roca Baltimore) was established in February 2018. Roca Baltimore was established in Delaware as a single member limited liability company whose sole corporate member is Roca. Roca Baltimore is organized to serve young people in Maryland in the same manner as Roca, Inc. serves young people in Massachusetts.

Roca is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Donors may deduct contributions made to Roca within IRC requirements. Roca Pallin is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(2) of the IRC. Roca Baltimore is exempt from Federal income taxes as a disregarded entity of Roca and its activity will be included in the Federal and state informational returns filed by Roca. Roca, Roca Pallin and Roca Baltimore (collectively, the Agency) are also exempt from state income taxes.

#### **SIGNIFICANT ACCOUNTING POLICIES**

The Agency prepares its combining financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Adoption of New Accounting Standard**

*Contributions Received and Contributions Made*

During fiscal year 2020, the Agency adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective method effective July 1, 2019. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. Based on the Agency's evaluation of its grants and contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

**Future Adoption of New Accounting Standard**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of combining financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard was effective starting July 1, 2019. This standard allows for a one year deferment period. The Agency has elected to defer this adoption until fiscal year 2021 and is currently in the process of evaluating the impact of adoption of this ASU on the combining financial statements.

**Principles of Combination**

Roca, Roca Pallin and Roca Baltimore are related through a common Board of Directors. The activities of the Agency are reflected in the accompanying combining financial statements. All significant intercompany transactions and balances are reflected as eliminations in the accompanying combining financial statements.

**Revenue Recognition**

In accordance with Topic 958, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional advance liabilities until such conditions are met.

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

Contract revenue is recorded as services are provided and costs are incurred in accordance with Topic 958. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as support and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Grants and contributions with donor restrictions received and satisfied in the same period are included in net assets without donor restrictions.

Special events revenue, net is recognized in the period in which the event takes place. All other revenues are recorded when they are earned.

**Combining Statements of Activities**

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenues and operating expenses in the accompanying combining statements of activities. Non-operating revenue include net investment return and capital awards.

**Expense Allocation**

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated on the basis of estimates of time and effort; occupancy related costs are allocated on a square footage basis; and supplies and other costs are allocated based on employee time under the theory that resources are used where employees place their effort.

**Donated Goods and Services**

Roca and Roca Baltimore received donated goods and services from various individuals or organizations for use in its programs. These goods and services are reflected in the accompanying combining financial statements at fair value as determined by the donor or management.

The values of these goods and services are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Consultants and contracted services	\$ 110,507	\$ 87,675
Program supplies and materials	71,100	100,723
Legal	<u>67,368</u>	<u>171,396</u>
	<u>\$ 248,975</u>	<u>\$ 359,794</u>

**Advertising Costs**

The Agency expenses advertising costs as incurred.



**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**

Notes to Combining Financial Statements  
June 30, 2020 and 2019

**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets**

***Without Donor Restrictions:***

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

**Operating net assets** represent net assets that are available for operations.

**Property and Equipment net assets** represent amounts expended and resources available for property and equipment.

**Board Designated – Endowment net assets** represent funds set aside by the Board of Directors to be invested for the purpose of generating an annual revenue stream to support the Agency’s operations.

**Board Designated – Operating Reserve net assets** represent funds set aside by the Board of Directors to be used as an operating reserve to meet the cash flow needs and for other purposes as approved by the Board of Directors.

**Board Designated – Pay for Success net assets** represent amounts set aside by the Board of Directors from monies earned on the Pay for Success contract to be expended on future Pay for Success program expenditures.

**Board Designated – Capital Improvements net assets** represent amounts set aside by the Board of Directors to fund emergency repairs and replacements to the Agency’s facilities.

Board designated net assets may only be used with the prior approval of the Board of Directors.

***With Donor Restrictions:***

Net assets with donor restrictions represent amounts received or committed by donors with time or purpose restrictions that have not yet been met.

Net assets with donor restrictions consist of the following as of June 30:

	<b>2020</b>		
	<b>Roca</b>	<b>Roca Baltimore</b>	<b>Total</b>
Purpose restrictions:			
Other programs	\$ 2,914,707	\$ 5,988,367	\$ 8,903,074
Pay for Success program	559,310	-	559,310
Capital	65,000	-	65,000
Total purpose restrictions	3,539,017	5,988,367	9,527,384
Time restrictions	452,500	2,510,689	2,963,189
Total	<u>\$ 3,991,517</u>	<u>\$ 8,499,056</u>	<u>\$ 12,490,573</u>

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**Notes to Combining Financial Statements  
June 30, 2020 and 2019**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****SIGNIFICANT ACCOUNTING POLICIES (Continued)****Net Assets (Continued)****With Donor Restrictions (Continued):**

	<b>2019</b>		
	<b>Roca</b>	<b>Roca Baltimore</b>	<b>Total</b>
Purpose restrictions:			
Other programs	\$ 2,483,645	\$ 7,058,804	\$ 9,542,449
Pay for Success program	1,137,407	-	1,137,407
Capital	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total purpose restrictions	3,626,052	7,058,804	10,684,856
Time restrictions	<u>900,522</u>	<u>2,780,689</u>	<u>3,681,211</u>
Total	<u>\$ 4,526,574</u>	<u>\$ 9,839,493</u>	<u>\$ 14,366,067</u>

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is based on management's best estimate of the amount of probable credit losses in accounts receivable. The allowance for doubtful accounts as of June 30, 2020 and 2019, was \$37,593 and \$54,046, respectively.

**Fair Value Measurements**

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

# ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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## 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### Investments

Investments are recorded in the combining financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Investments are not insured and are subject to market fluctuations.

Investment return consists of interest, capital gain distributions, dividends, and realized and unrealized gains and losses on investments. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains and losses on investment transactions are recorded using the first-in, first-out method.

Investments are reflected as long-term assets in accordance with the Agency's intent to hold the investments for long-term growth.

#### Special Events and Fundraising

Included in special events, net are the results of various events, which are shown net of related expenses in the accompanying combining statements of activities. Special events revenue and direct expenses were as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Special event contributions and support	\$ 393,742	\$ 372,971
Special event revenue	\$ -	\$ 276,700
Less - direct expenses	<u>(3,855)</u>	<u>(71,433)</u>
Total special events, net	<u>\$ 389,887</u>	<u>\$ 578,238</u>

#### Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Renewals and improvements that cost \$5,000 or greater are capitalized, while repairs and maintenance are expensed as they are incurred (see Note 7).

## ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Property and Equipment and Depreciation (Continued)

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Building improvements	20 years
Leasehold improvements	10 years or term of the lease
Buildings	40 years
Vehicles	5 - 7 years
Equipment	5 - 7 years
Furniture and fixtures	5 - 7 years

Land is not depreciated.

The Agency accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Impairment or Disposal of Long-Lived Assets*. Under this standard, an impairment loss is recognized when the carrying amount of long-lived assets exceed its fair value. There were no impairment losses recorded in fiscal year 2020 or 2019.

##### Conditional Advance

During fiscal year 2020, Roca received two conditional grant commitments of approximately \$2,375,000, of which \$1,139,565 has been received as of June 30, 2020. For the year ended June 30, 2020, approximately \$122,000 has been earned. The remainder of the grants has not been recognized because the final condition of the grants have not been met as of June 30, 2020. The remaining \$1,017,369 of the grants received as of June 30, 2020, is reflected in the accompanying combining statement of financial position as a conditional advance at June 30, 2020.

##### Estimates

The preparation of combining financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Subsequent Events

Subsequent events have been evaluated through January 7, 2021, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosures in the combining financial statements.

##### Income Taxes

The Agency 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 combining financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combining financial statements at June 30, 2020 and 2019. The Agency's informational returns are subject to examination by the federal and state jurisdictions.

## ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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### 2. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, Roca leased a facility and vehicles from Roca Pallin (see Note 3).

Roca Pallin pays Roca for cleaning services related to its facilities, which totaled \$122,390 and \$137,616 for the years ended June 30, 2020 and 2019, respectively, which are included in repairs and maintenance in the accompanying combining statements of functional expenses. Roca Pallin also paid \$65,900 for property management services from Roca during fiscal years 2020 and 2019. Roca Baltimore paid Roca \$600,000 and \$571,821 for management fees for the years ended June 30, 2020 and 2019, respectively. Roca Pallin and Roca Baltimore's property management services are included in consultants and contracted services in the accompanying statements of combining functional expenses

During fiscal years 2020 and 2019 Roca Baltimore paid certain operating costs on behalf of Roca. The amount owed to Roca Baltimore from Roca was \$22,584 and \$72,606 as of June 30, 2020 and 2019, respectively. These amounts are reflected in due from related party in the accompanying combining statements of financial position and is eliminated in the combined totals.

The Agency's Founder/Chief Executive Officer (CEO) is also a voting member of the Board of Directors. She is compensated only for her role as CEO.

### 3. LEASE AGREEMENTS

#### Facility

Roca leases a facility in Chelsea, Massachusetts from Roca Pallin under a non-cancelable lease agreement that was set to expire on June 30, 2020, and required monthly rent payments of \$24,508. This agreement was extended through June 30, 2021, under the same terms and conditions. Roca also leases a facility in Springfield, Massachusetts from Roca Pallin under a non-cancelable lease agreement that was set to expire on June 30, 2020, and required monthly rent payments of \$11,453. This agreement was extended through June 30, 2021, under the same terms and conditions. During the years ended June 30, 2020 and 2019, Roca incurred rent expense of approximately \$432,000 and \$321,000, respectively, under these leases (see Note 2) and is eliminated from the combined totals. Roca is also responsible for real estate taxes, certain insurance coverage, and certain other expenses as defined in the agreement. These costs are included in rent in the accompanying combining statements of functional expenses.

The Agency leased five facilities from unrelated parties during fiscal year 2020. These leases expire at various dates through April 15, 2023. Certain facility leases require the Agency to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses. Rent expense under these facility leases was approximately \$270,000 and \$265,000 for the years ended June 30, 2020 and 2019, respectively.

Roca Baltimore leases a facility in Baltimore, Maryland with an unrelated party that expires on September 30, 2022. Monthly rental payments of \$11,514, increasing 3% each fiscal year through the end of the lease. Straight lining of the lease payments would have an insignificant effect on the combining statements of activities; therefore, Roca Baltimore records rent expense as incurred beginning in fiscal year 2019. Roca Baltimore has the option to extend the lease for two additional years. Rent expense for the years ending June 30, 2020 and 2019, were \$139,275 and \$111,000, respectively.

Future minimum lease payments under the agreements with unrelated parties are as follows:

2021	\$ 279,932
2022	\$ 217,825
2023	\$ 58,748

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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**3. LEASE AGREEMENTS (Continued)**

**Vehicles**

During fiscal years 2020 and 2019, Roca leased vehicles from Roca Pallin (see Note 2) under annual lease agreements. The most recent agreement expires on June 30, 2021. Lease expense under the agreements was \$178,361 and \$242,592 for the years ended June 30, 2020 and 2019, respectively. These costs are included in vehicle and related in the accompanying combining statements of functional expenses and are eliminated from the combined totals.

**Equipment**

The Agency leases office equipment from unrelated parties under operating lease agreements expiring at various dates through August 2025. The Agency has the ability to purchase the equipment at the end of the lease term.

Future minimum lease payments under the agreements with unrelated parties are as follows:

2021	\$ 53,798
2022	\$ 54,528
2023	\$ 54,006
2024	\$ 47,370
2025	\$ 22,080
Thereafter	\$ 730

During the years ended June 30, 2020 and 2019, the Agency incurred equipment lease and maintenance expenses totaling \$60,903 and \$67,815, respectively, which are included in office supplies and equipment in the accompanying combining statements of functional expenses.

**4. RETIREMENT PLAN**

The Agency maintains an IRC section 403(b) Retirement Plan (403(b) Plan) for all eligible employees. Employees become eligible upon their hire date and must be 18 years old. The Agency can elect to make a matching or non-elective contribution to the 403(b) Plan during any plan year. Employees become eligible for the Agency's matching contributions once they have reached one year of service. Employees may make plan contributions up to the maximum allowed by law. The Agency elected not to make any contributions to 403(b) Plan during fiscal year 2020 or 2019.

**5. FUNDING**

The Agency receives income from various funding sources to compensate for services rendered under cost reimbursement and unit-rate contracts. Approximately 37% and 27% of total operating support and revenues for the years ended June 30, 2020 and 2019, respectively, and approximately 28% and 22% of gross accounts receivable as of June 30, 2020 and 2019, respectively, are related to various departments of the Commonwealth, including Federal funds passed through the Commonwealth and local municipalities. These contracts are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial position of the Agency as of June 30, 2020 and 2019, or on its combining changes in net assets for the years then ended.

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**

Notes to Combining Financial Statements  
June 30, 2020 and 2019

**6. INVESTMENTS**

Investments are recorded at fair value as determined by quoted market prices. Increases or decreases in fair values are recorded as unrealized gains or losses on investments.

The Agency held the following investments stated at fair value at June 30:

	<u>2020</u>	<u>2019</u>
Mutual funds:		
Fixed income:		
Investment grade debt instruments	\$ 2,310,558	\$ 2,267,199
Fixed income securities	1,295,748	1,230,275
Opportunistic income fund	1,261,172	1,253,277
High yield and emerging markets securities	399,811	408,811
Total return fund	<u>355,913</u>	<u>368,544</u>
Total fixed income	5,623,202	5,528,106
Domestic equity	2,002,973	1,967,519
International equity	<u>1,945,814</u>	<u>1,935,922</u>
	<u>\$ 9,571,989</u>	<u>\$ 9,431,547</u>

The Agency uses the total return method for allocating the investment return to the Board designated endowment and other investment balances without restrictions. The investment objective includes a multi-asset investment portfolio designed for monies with long-term investment horizons. The asset allocation of underlying funds is broadly diversified. The performance objective is to outperform a custom benchmark based on asset allocation guidelines. The asset allocation goal of the underlying funds in the portfolio is 50% equity and 50% fixed income mutual funds. The Agency's investment policy does not allow for any appropriations of the investment returns to operations until the Board designated endowment surpasses \$10,000,000. The Agency incurred investment fees of \$43,555 and \$41,081 for the years ended June 30, 2020 and 2019, respectively. The investment fees are netted with the interest and dividends and are included in investment return, net in the accompanying combining statements of activities.

Changes in Board designated endowment net assets are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 6,576,377	\$ 6,249,763
Investment return:		
Interest and dividends, net of fees	365,292	393,310
Realized gain (loss) on sale of investments	(96)	532
Unrealized loss on investments	<u>(285,623)</u>	<u>(67,228)</u>
Total investment return	<u>79,573</u>	<u>326,614</u>
Endowment net assets, end of year	<u>\$ 6,655,950</u>	<u>\$ 6,576,377</u>

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**Notes to Combining Financial Statements  
June 30, 2020 and 2019**7. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 268,900	\$ 268,900
Building improvements	1,792,380	1,744,199
Leasehold improvements	2,018,817	1,770,756
Buildings	849,438	849,438
Vehicles	1,215,200	1,083,425
Equipment	141,132	137,307
Furniture and fixtures	63,124	63,124
Construction in process	<u>55,571</u>	<u>7,287</u>
	6,404,562	5,924,436
Less - accumulated depreciation	<u>4,306,448</u>	<u>3,970,492</u>
	<u>\$ 2,098,114</u>	<u>\$ 1,953,944</u>

Construction in process included leasehold improvements in process to the offices in Springfield and Baltimore as of June 30, 2019, which were completed and placed in service during fiscal year 2020. The construction in process balance as of June 30, 2020, pertains to leasehold improvements to the office in Chelsea. The estimated cost of this project is approximately \$120,000 and the Agency anticipates competition during fiscal year 2021.

**8. GRANTS RECEIVABLE**

Grants receivable represent amounts committed by donors that are for the specific programs with restrictions. As of June 30, 2020 and 2019, approximately 29% and 19%, respectively, of grants receivable were due from two and one donors, respectively. Management deems all amounts fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Grants receivable are expected to be collected as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 3,857,708	\$ 3,610,718
Due in one to five years	<u>1,643,325</u>	<u>4,412,615</u>
	5,501,033	8,023,333
Less - current portion	3,857,708	3,610,718
Less - discount	<u>5,180</u>	<u>101,505</u>
Long-term grants receivable	<u>\$ 1,638,145</u>	<u>\$ 4,311,110</u>

These grants receivable have been discounted to present value using a discount rate of approximately 0.29% and 1.76% as of June 30, 2020 and 2019, respectively.

**9. LINE OF CREDIT**

The Agency has a revolving line of credit agreement with a bank that allows for borrowings of up to \$500,000. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime lending rate (3.25% and 5.5% at June 30, 2020 and 2019, respectively). The line of credit is secured by all assets of the Agency. There was no outstanding balance at June 30, 2020 and 2019. This line of credit is renewable annually in July, and has been renewed through June 30, 2021.



## ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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### 10. CONCENTRATIONS

The Agency maintains its cash balances in two banks in Massachusetts and one bank in Maryland. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash balances.

See Notes 5, 8 and 11 for additional concentrations.

### 11. CONTINGENT COMMITMENT

Roca's PFS contract is a nine and a half year, approximately \$24.0 million contract through which the Agency will enroll up to 1,032 very high-risk young men in its Intervention Model. Enrollments will be made over a 5.75 year period, with each young person being served for up to four years. The Agency is a 15% investor in the project, meaning that 15% of all service fees (approximately \$3.5 million) will not be earned (paid) until the Agency's success is demonstrated. As such, the Agency will be paid 85% of its project costs on a quarterly basis with payments made at a negotiated rate for each person enrolled in the Intervention Model during any given quarter; ultimately capping out at 85% of the total project costs.

These payments will be made throughout the life of the project by Youth Services Inc., a Massachusetts not-for-profit, without any specific regard to or reliance on programmatic outcomes. The remaining 15% of the contract, the Roca's contingent fees, will be paid only if Roca achieves its success metrics - based on reduction in days of incarceration and increases in rates of employment, as specified in the contract. Success payments by the Commonwealth are expected to begin in quarter seventeen of the project, which started in January 2018. Roca was also paid \$1.5 million in programmatic grant-based funding through the Laura and John Arnold Foundation to support this work.

During the years ended June 30, 2020 and 2019, the Agency earned revenue totaling \$1,910,373 and \$4,008,278, respectively, under this contract, which is approximately 14% and 27%, respectively, of the total operating revenue. No amounts have been included in the accompanying combining financial statements pertaining to the contingent fees outlined above, given the benchmarks that must be achieved in order for the Agency to receive the funds.

### 12. OTHER CONTINGENCIES

#### *Legal Contingencies*

The Agency, from time-to-time, is the defendant in lawsuits. It is management's experience that the Agency will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying combining financial statements for any potential liability resulting from these lawsuits.

#### *COVID-19*

In March 2020, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Agency, its operations and future combining financial statements.

Management of the Agency is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Agency is unable to accurately predict how COVID-19 will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

**ROCA, INC., ROCA PALLIN YOUTH CENTER, INC. AND ROCA BALTIMORE LLC**

Notes to Combining Financial Statements  
June 30, 2020 and 2019

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**13. CONDITIONAL GRANTS**

During fiscal year 2020, the Agency was awarded government contracts totaling \$11,359,818 that contained funder-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. The Agency recognizes related revenue from these government contracts, when funder-imposed conditions are substantially met (see Note 1). The funder imposed conditions for this contract revenue include the requirement for the Agency to incur qualifying expenses. Given the aforementioned reasons, no amounts pertaining to these conditional commitments are included in the accompanying combining financial statements.

Also, in fiscal year 2020, the Agency received a grant totaling \$1,003,823 that contained a condition that must be met in order to receive \$361,754 of the total amount. Due to the conditional nature of future payment, only the amount received to date of \$642,069 has been recorded in the accompanying combining statement of activities for the year ended June 30, 2020.

**14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Agency's financial assets available within one year from the combining statement of financial position date for general operating expenses are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 8,603,551	\$ 6,152,340
Accounts receivable, net	4,886,738	4,048,107
Current portion of grants receivable	<u>3,857,708</u>	<u>3,610,718</u>
Total financial assets available to use	17,347,997	13,811,165
Less: Amounts with donor restrictions not expected to be utilized in one year	<u>(331,667)</u>	<u>(256,401)</u>
Total financial assets available to use within one year	<u>\$ 17,016,330</u>	<u>\$ 13,554,764</u>

As part of liquidity management, the Agency has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities, the Agency can draw upon its \$500,000 line of credit (see Note 9). The Agency can also request the Board of Directors allow for assets held in the Board designated operating and capital improvements reserves as well as in the endowment fund be used to fund these needs.

**15. RECLASSIFICATION**

Certain amounts in the fiscal year 2019 combining financial statements have been reclassified to conform with the fiscal year 2020 presentation.