



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

**COMBINING FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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

Contents
June 30, 2015 and 2014

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Independent Auditor's Report

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

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) which comprise the combining statements of financial position as of June 30, 2015 and 2014, and the related combining statements of activities, changes in net assets, cash flow 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. and Roca Pallin Youth Center, Inc. as of June 30, 2015 and 2014, 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.

Alexander, Brown, Pinning & Co., P.C.
Boston, Massachusetts
October 29, 2015

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

Combining Statement of Financial Position
June 30, 2015

Assets	Roca, Inc.			Roca Pallin Youth Center, Inc.		Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminations	
Current Assets:						
Cash	\$ 72,739	\$ 1,443,845	\$ 1,516,584	\$ 386,950	\$ -	\$ 1,903,534
Accounts receivable, net	1,699,747	-	1,699,747	-	(66,007)	1,633,740
Current portion of grants receivable	10,000	585,850	595,850	-	-	595,850
Pledges receivable	31,500	-	31,500	-	-	31,500
Prepaid expenses	45,513	-	45,513	-	-	45,513
Total current assets	1,859,499	2,029,695	3,889,194	386,950	(66,007)	4,210,137
Investments	7,906,636	-	7,906,636	728,227	-	8,634,863
Grants Receivable, net of current portion	-	902,019	902,019	-	-	902,019
Property and Equipment, net	665,350	-	665,350	1,424,633	-	2,089,983
Total assets	<u>\$ 10,431,485</u>	<u>\$ 2,931,714</u>	<u>\$ 13,363,199</u>	<u>\$ 2,539,810</u>	<u>\$ (66,007)</u>	<u>\$ 15,837,002</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable	\$ 158,476	\$ -	\$ 158,476	\$ 71,977	\$ (66,007)	\$ 164,446
Accrued expenses	651,334	-	651,334	391	-	651,725
Total liabilities	809,810	-	809,810	72,368	(66,007)	816,171
Net Assets:						
Unrestricted:						
Operating	1,134,641	-	1,134,641	655,267	-	1,789,908
Property and equipment	665,350	-	665,350	1,424,633	-	2,089,983
Board designated:						
Endowment	5,411,359	-	5,411,359	-	-	5,411,359
Operating reserve	1,500,000	-	1,500,000	125,000	-	1,625,000
Pay for success	910,325	-	910,325	-	-	910,325
Capital improvements	-	-	-	262,542	-	262,542
Total unrestricted	9,621,675	-	9,621,675	2,467,442	-	12,089,117
Temporarily restricted	-	2,931,714	2,931,714	-	-	2,931,714
Total net assets	9,621,675	2,931,714	12,553,389	2,467,442	-	15,020,831
Total liabilities and net assets	<u>\$ 10,431,485</u>	<u>\$ 2,931,714</u>	<u>\$ 13,363,199</u>	<u>\$ 2,539,810</u>	<u>\$ (66,007)</u>	<u>\$ 15,837,002</u>

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

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

Combining Statement of Financial Position
June 30, 2014

Assets	Roca, Inc.			Roca Pallin Youth Center, Inc.		Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminations	
Current Assets:						
Cash	\$ 242,028	\$ 2,012,162	\$ 2,254,190	\$ 299,128	\$ -	\$ 2,553,318
Accounts receivable, net	1,227,787	-	1,227,787	-	(31,369)	1,196,418
Current portion of grants receivable	750,000	585,664	1,335,664	-	-	1,335,664
Pledges receivable	38,440	12,000	50,440	-	-	50,440
Prepaid expenses	4,502	-	4,502	-	-	4,502
Total current assets	2,262,757	2,609,826	4,872,583	299,128	(31,369)	5,140,342
Investments	6,331,821	-	6,331,821	715,087	-	7,046,908
Grants Receivable, net of current portion	-	40,991	40,991	-	-	40,991
Property and Equipment, net	787,881	-	787,881	1,433,825	-	2,221,706
Total assets	<u>\$ 9,382,459</u>	<u>\$ 2,650,817</u>	<u>\$ 12,033,276</u>	<u>\$ 2,448,040</u>	<u>\$ (31,369)</u>	<u>\$ 14,449,947</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable	\$ 112,844	\$ -	\$ 112,844	\$ 37,840	\$ (31,369)	\$ 119,315
Accrued expenses	384,069	-	384,069	-	-	384,069
Total liabilities	496,913	-	496,913	37,840	(31,369)	503,384
Net Assets:						
Unrestricted:						
Operating	1,187,340	-	1,187,340	588,833	-	1,776,173
Property and equipment	787,881	-	787,881	1,433,825	-	2,221,706
Board designated:						
Endowment	5,000,000	-	5,000,000	-	-	5,000,000
Operating reserve	1,500,000	-	1,500,000	125,000	-	1,625,000
Pay for success	410,325	-	410,325	-	-	410,325
Capital improvements	-	-	-	262,542	-	262,542
Total unrestricted	8,885,546	-	8,885,546	2,410,200	-	11,295,746
Temporarily restricted	-	2,650,817	2,650,817	-	-	2,650,817
Total net assets	<u>8,885,546</u>	<u>2,650,817</u>	<u>11,536,363</u>	<u>2,410,200</u>	<u>-</u>	<u>13,946,563</u>
Total liabilities and net assets	<u>\$ 9,382,459</u>	<u>\$ 2,650,817</u>	<u>\$ 12,033,276</u>	<u>\$ 2,448,040</u>	<u>\$ (31,369)</u>	<u>\$ 14,449,947</u>

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

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

Combining Statement of Activities
For the Year Ended June 30, 2015

	Roca, Inc.			Roca Pallin Youth Center, Inc.	Eliminations	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted		
Operating Support and Revenues:						
Contract revenue	\$ 5,768,794	\$ -	\$ 5,768,794	\$ -	\$ (144,759)	\$ 5,624,035
Grants and contributions	1,258,118	2,290,064	3,548,182	-	-	3,548,182
Special events, net	523,598	-	523,598	-	-	523,598
Donated goods and services	346,957	-	346,957	-	-	346,957
Interest and other	5,211	-	5,211	-	-	5,211
Rental income	-	-	-	435,426	(435,426)	-
Net assets released from time restrictions	77,572	(77,572)	-	-	-	-
Net assets released from purpose restrictions	2,080,595	(2,080,595)	-	-	-	-
Total operating support and revenues	<u>10,060,845</u>	<u>131,897</u>	<u>10,192,742</u>	<u>435,426</u>	<u>(580,185)</u>	<u>10,047,983</u>
Operating Expenses:						
Program services	7,544,320	-	7,544,320	-	(396,594)	7,147,726
General and administrative	1,414,848	-	1,414,848	29,054	(29,054)	1,414,848
Development	504,029	-	504,029	9,778	(9,778)	504,029
Rental property	-	-	-	352,102	(144,759)	207,343
Total operating expenses	<u>9,463,197</u>	<u>-</u>	<u>9,463,197</u>	<u>390,934</u>	<u>(580,185)</u>	<u>9,273,946</u>
Changes in net assets from operations	<u>597,648</u>	<u>131,897</u>	<u>729,545</u>	<u>44,492</u>	<u>-</u>	<u>774,037</u>
Other Revenues:						
Grants and contributions - capital	-	155,000	155,000	-	-	155,000
Investment return, net	132,481	-	132,481	12,750	-	145,231
Net assets released from capital restrictions	6,000	(6,000)	-	-	-	-
Total other revenues	<u>138,481</u>	<u>149,000</u>	<u>287,481</u>	<u>12,750</u>	<u>-</u>	<u>300,231</u>
Changes in net assets	<u>\$ 736,129</u>	<u>\$ 280,897</u>	<u>\$ 1,017,026</u>	<u>\$ 57,242</u>	<u>\$ -</u>	<u>\$ 1,074,268</u>

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

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

Combining Statement of Activities
For the Year Ended June 30, 2014

	Roca, Inc.			Roca Pallin Youth Center, Inc.	Eliminations	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted		
Operating Support and Revenues:						
Contract revenue	\$ 4,048,292	\$ -	\$ 4,048,292	\$ -	\$ (132,939)	\$ 3,915,353
Grants and contributions	1,930,631	2,265,488	4,196,119	-	-	4,196,119
Special events, net	320,210	-	320,210	-	-	320,210
Donated goods and services	499,013	-	499,013	-	-	499,013
Interest and other	4,858	-	4,858	-	-	4,858
Rental income	-	-	-	406,680	(406,680)	-
Net assets released from time restrictions	665,405	(665,405)	-	-	-	-
Net assets released from purpose restrictions	1,054,543	(1,054,543)	-	-	-	-
Total operating support and revenues	8,522,952	545,540	9,068,492	406,680	(539,619)	8,935,553
Operating Expenses:						
Program services	6,209,571	-	6,209,571	-	(371,880)	5,837,691
General and administrative	1,117,090	-	1,117,090	25,824	(25,824)	1,117,090
Development	508,438	-	508,438	8,976	(8,976)	508,438
Rental property	-	-	-	348,109	(132,939)	215,170
Total operating expenses	7,835,099	-	7,835,099	382,909	(539,619)	7,678,389
Changes in net assets from operations	687,853	545,540	1,233,393	23,771	-	1,257,164
Other Revenues:						
Grants and contributions - capital	-	19,291	19,291	-	-	19,291
Investment return, net	518,213	-	518,213	43,008	-	561,221
Net assets released from capital restrictions	16,682	(16,682)	-	-	-	-
Total other revenue	534,895	2,609	537,504	43,008	-	580,512
Changes in net assets	\$ 1,222,748	\$ 548,149	\$ 1,770,897	\$ 66,779	\$ -	\$ 1,837,676

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

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

Combining Statements of Changes in Net Assets
For the Years Ended June 30, 2015 and 2014

	Roca, Inc.			Roca Pallin Youth Center, Inc.	Eliminations	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted		
Net Assets, June 30, 2013	\$ 7,662,798	\$ 2,102,668	\$ 9,765,466	\$ 2,343,421	\$ -	\$ 12,108,887
Changes in net assets	<u>1,222,748</u>	<u>548,149</u>	<u>1,770,897</u>	<u>66,779</u>	<u>-</u>	<u>1,837,676</u>
Net Assets, June 30, 2014	8,885,546	2,650,817	11,536,363	2,410,200	-	13,946,563
Changes in net assets	<u>736,129</u>	<u>280,897</u>	<u>1,017,026</u>	<u>57,242</u>	<u>-</u>	<u>1,074,268</u>
Net Assets, June 30, 2015	<u>\$ 9,621,675</u>	<u>\$ 2,931,714</u>	<u>\$ 12,553,389</u>	<u>\$ 2,467,442</u>	<u>\$ -</u>	<u>\$ 15,020,831</u>

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

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

 Combining Statement of Cash Flow
 For the Year Ended June 30, 2015

	Roca, Inc.	Roca Pallin Youth Center Inc.	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets	\$ 1,017,026	\$ 57,242	\$ -	\$ 1,074,268
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation	151,827	157,605	-	309,432
Bad debts	83,154	-	-	83,154
Grants and contributions - capital	(155,000)	-	-	(155,000)
Investment return	(132,481)	(12,750)	-	(145,231)
Changes in operating assets and liabilities:				
Accounts receivable	(555,114)	-	34,638	(520,476)
Grants receivable	(121,214)	-	-	(121,214)
Pledges receivable	18,940	-	-	18,940
Prepaid expenses	(41,011)	-	-	(41,011)
Accounts payable	45,632	34,137	(34,638)	45,131
Accrued expenses	267,265	391	-	267,656
Net cash provided by operating activities	<u>579,024</u>	<u>236,625</u>	<u>-</u>	<u>815,649</u>
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(29,296)	(148,413)	-	(177,709)
Purchase of investments	(3,009,989)	(9,668)	-	(3,019,657)
Proceeds from sale of investments	1,567,655	9,278	-	1,576,933
Net cash used in investing activities	<u>(1,471,630)</u>	<u>(148,803)</u>	<u>-</u>	<u>(1,620,433)</u>
Cash Flows from Financing Activities:				
Grants and contributions - capital	155,000	-	-	155,000
Net Change in Cash	<u>(737,606)</u>	<u>87,822</u>	<u>-</u>	<u>(649,784)</u>
Cash:				
Beginning of year	<u>2,254,190</u>	<u>299,128</u>	<u>-</u>	<u>2,553,318</u>
End of year	<u>\$ 1,516,584</u>	<u>\$ 386,950</u>	<u>\$ -</u>	<u>\$ 1,903,534</u>
Supplemental Disclosure of Cash Flow Information:				
Interest and dividends reinvested	<u>\$ 257,632</u>	<u>\$ 22,192</u>	<u>\$ -</u>	<u>\$ 279,824</u>
Supplemental Disclosure of Non-Cash Activity:				
Unrealized loss on investments	<u>\$ (196,192)</u>	<u>\$ (9,589)</u>	<u>\$ -</u>	<u>\$ (205,781)</u>

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

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

 Combining Statement of Cash Flow
 For the Year Ended June 30, 2014

	<u>Roca, Inc.</u>	<u>Roca Pallin Youth Center Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Changes in net assets	\$ 1,770,897	\$ 66,779	\$ -	\$ 1,837,676
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation	161,138	146,224	-	307,362
Bad debts	44,553	-	-	44,553
Grants and contributions - capital	(19,291)	-	-	(19,291)
Investment return	(518,213)	(43,008)	-	(561,221)
Changes in operating assets and liabilities:				
Accounts receivable	(135,921)	-	(66,397)	(202,318)
Grants receivable	(773,017)	-	-	(773,017)
Pledges receivable	(14,440)	-	-	(14,440)
Prepaid expenses	31,316	-	-	31,316
Accounts payable	(49,571)	(65,272)	66,397	(48,446)
Accrued expenses	92,153	-	-	92,153
Net cash provided by operating activities	<u>589,604</u>	<u>104,723</u>	<u>-</u>	<u>694,327</u>
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(60,775)	(86,586)	-	(147,361)
Purchase of investments	(183,389)	(8,834)	-	(192,223)
Proceeds from sale of investments	178,481	8,835	-	187,316
Net cash used in investing activities	<u>(65,683)</u>	<u>(86,585)</u>	<u>-</u>	<u>(152,268)</u>
Cash Flows from Financing Activities:				
Grants and contributions - capital	19,291	-	-	19,291
Net Change in Cash	543,212	18,138	-	561,350
Cash:				
Beginning of year	1,710,978	280,990	-	1,991,968
End of year	<u>\$ 2,254,190</u>	<u>\$ 299,128</u>	<u>\$ -</u>	<u>\$ 2,553,318</u>
Supplemental Disclosure of Cash Flow Information:				
Interest and dividends reinvested	<u>\$ 228,283</u>	<u>\$ 19,705</u>	<u>\$ -</u>	<u>\$ 247,988</u>
Supplemental Disclosure of Non-Cash Activity:				
Unrealized gain on investments	<u>\$ 276,640</u>	<u>\$ 23,211</u>	<u>\$ -</u>	<u>\$ 299,851</u>

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

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

Combining Statement of Functional Expenses

For the Year Ended June 30, 2015

(With Summarized Comparative Totals for the Year Ended June 30, 2014)

	2015										Roca Pallin Youth Center, Inc.		2014	
	Roca, Inc.										Rental Property	Eliminations	Total	Total
	Program Services						General and Administrative							
	High-Risk Young Men			High-Risk Young Women			Capacity Building	Total Program Services	Development	Total				
Eastern Mass	Western Mass	Boston	Young Mothers	Healthy Families										
Personnel and Related Costs:														
Salaries	\$ 1,061,681	\$ 911,445	\$ 690,746	\$ 405,866	\$ 332,487	\$ 95,578	\$ 3,497,803	\$ 617,742	\$ 285,428	\$ 4,400,973	\$ -	\$ -	\$ 4,400,973	\$ 3,478,394
Fringe benefits	181,057	158,316	118,441	82,281	56,043	10,791	606,929	90,008	35,195	732,132	-	-	732,132	686,431
Youth wages	171,870	174,974	96,651	26,692	-	-	470,187	-	-	470,187	-	-	470,187	433,235
Payroll taxes	112,333	96,441	69,906	39,094	30,385	8,884	357,043	62,855	26,397	446,295	-	-	446,295	380,570
Total personnel and related costs	1,526,941	1,341,176	975,744	553,933	418,915	115,253	4,931,962	770,605	347,020	6,049,587	-	-	6,049,587	4,978,630
Occupancy:														
Depreciation	-	42,027	-	-	-	-	42,027	65,888	-	107,915	104,611	-	212,526	217,138
Repairs and maintenance	8,834	8,424	26,578	4,095	1,069	-	49,000	18,847	623	68,470	162,551	(92,259)	138,762	166,926
Utilities	36,701	15,517	4,294	17,086	5,010	-	78,608	4,658	2,828	86,094	3,249	-	89,343	67,161
Rent	126,875	69,601	31,078	59,056	17,304	-	303,914	16,094	9,778	329,786	-	(303,000)	26,786	-
Insurance	5,155	3,811	1,218	2,397	700	-	13,281	1,488	398	15,167	-	-	15,167	6,722
Total occupancy	177,565	139,380	63,168	82,634	24,083	-	486,830	106,975	13,627	607,432	270,411	(395,259)	482,584	457,947
Other:														
Consultants and contracted services	81,357	32,560	3,058	16,797	1,832	868,846	1,004,450	136,175	43,837	1,184,462	55,000	(52,500)	1,186,962	752,860
Program supplies and materials	91,803	66,246	17,900	48,122	5,667	73	229,811	11,263	11,409	252,483	-	-	252,483	220,367
Audit and legal fees	-	-	-	-	-	-	-	210,324	-	210,324	12,080	-	222,404	340,825
Vehicle and related	125,286	92,821	46,728	41,874	12,954	-	319,663	31,248	121	351,032	449	(132,426)	219,055	192,674
Information technology	27,110	17,314	9,527	10,547	7,652	786	72,936	37,685	7,014	117,635	-	-	117,635	44,800
Communications	25,254	26,239	14,025	7,954	14,797	452	88,721	7,040	2,333	98,094	-	-	98,094	78,781
Depreciation	6,128	11,062	9,225	702	-	-	27,117	16,795	-	43,912	52,994	-	96,906	90,224
Bad debts	83,154	-	-	-	-	-	83,154	-	-	83,154	-	-	83,154	44,553
Office supplies and equipment	22,144	9,404	7,655	8,750	5,605	501	54,059	25,111	1,921	81,091	-	-	81,091	52,688
Program activities	31,897	18,800	23,377	4,385	539	-	78,998	-	-	78,998	-	-	78,998	68,672
Travel	9,341	12,355	4,110	849	4,610	12,770	44,035	5,327	22,932	72,294	-	-	72,294	58,588
Insurance	21,107	11,863	5,329	5,796	5,215	570	49,880	14,973	2,175	67,028	-	-	67,028	74,988
Training	9,066	7,433	3,139	2,458	3,077	14,119	39,292	17,597	3,722	60,611	-	-	60,611	109,046
Miscellaneous	11,691	6,309	3,181	826	2,801	99	24,907	14,573	2,974	42,454	-	-	42,454	36,002
Advertising	80	-	-	-	-	-	80	3,734	29,870	33,684	-	-	33,684	39,585
Printing and postage	1,175	55	230	918	128	-	2,506	3,824	11,360	17,690	-	-	17,690	24,279
Membership and development	976	1,445	-	781	75	1,795	5,072	805	1,410	7,287	-	-	7,287	4,749
Dues and subscriptions	-	847	-	-	-	-	847	794	2,304	3,945	-	-	3,945	8,131
Total other	547,569	314,753	147,484	150,759	64,952	900,011	2,125,528	537,268	143,382	2,806,178	120,523	(184,926)	2,741,775	2,241,812
Total expenses	\$ 2,252,075	\$ 1,795,309	\$ 1,186,396	\$ 787,326	\$ 507,950	\$ 1,015,264	\$ 7,544,320	\$ 1,414,848	\$ 504,029	\$ 9,463,197	\$ 390,934	\$ (580,185)	\$ 9,273,946	\$ 7,678,389

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

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

Combining Statement of Functional Expenses
For the Year Ended June 30, 2014

	Roca, Inc.										Youth Center, Inc.			
	Program Services							General and Administrative	Development	Total	Rental Property	Eliminations	Total	
	High-Risk Young Men			High-Risk Young Women										
Eastern Mass	Western Mass	Boston	Young Mothers	Healthy Families	Capacity Building	Youth Star	Total Program Services							
Personnel and Related Costs:														
Salaries	\$ 1,301,790	\$ 588,577	\$ 87,051	\$ 271,588	\$ 271,493	\$ 139,333	\$ 16,284	\$ 2,676,116	\$ 532,246	\$ 270,032	\$ 3,478,394	\$ -	\$ -	\$ 3,478,394
Fringe benefits	280,017	110,892	26,939	62,707	64,039	18,064	4,966	567,624	76,931	41,876	686,431	-	-	686,431
Youth wages	213,346	94,964	77,059	23,836	-	-	24,030	433,235	-	-	433,235	-	-	433,235
Payroll taxes	147,207	65,709	16,429	28,695	27,408	13,409	3,530	302,387	51,768	26,415	380,570	-	-	380,570
Total personnel and related costs	1,942,360	860,142	207,478	386,826	362,940	170,806	48,810	3,979,362	660,945	338,323	4,978,630	-	-	4,978,630
Occupancy:														
Depreciation	-	42,027	-	-	-	-	-	42,027	72,442	-	114,469	102,669	-	217,138
Repairs and maintenance	39,905	16,699	3,893	3,730	598	70	118	65,013	12,435	563	78,011	169,354	(80,439)	166,926
Utilities	24,053	13,628	9,242	7,665	2,293	219	1,150	58,250	3,694	1,897	63,841	3,320	-	67,161
Rent	114,625	69,602	40,732	36,908	10,869	1,143	4,041	277,920	16,104	8,976	303,000	-	(303,000)	-
Insurance	2,281	1,994	858	722	229	56	85	6,225	308	189	6,722	-	-	6,722
Total occupancy	180,864	143,950	54,725	49,025	13,989	1,488	5,394	449,435	104,983	11,625	566,043	275,343	(383,439)	457,947
Other:														
Consultants and contracted services	177,274	22,053	762	42,608	2,986	410,724	3,053	659,460	63,563	29,837	752,860	52,500	(52,500)	752,860
Program supplies and materials	127,492	35,114	3,795	23,831	8,038	3,878	4,794	206,942	5,693	7,732	220,367	-	-	220,367
Audit and legal fees	-	-	-	-	-	216,936	-	216,936	112,378	-	329,314	11,511	-	340,825
Vehicle and related	131,633	70,478	8,578	29,147	13,986	-	12,377	266,199	29,391	764	296,354	-	(103,680)	192,674
Information technology	6,252	3,166	362	2,022	1,625	395	138	13,960	20,583	10,257	44,800	-	-	44,800
Communications	28,943	23,613	3,316	6,198	4,549	1,052	339	68,010	7,671	3,100	78,781	-	-	78,781
Depreciation	11,585	10,010	3,820	-	-	-	-	25,415	21,254	-	46,669	43,555	-	90,224
Bad debts	44,553	-	-	-	-	-	-	44,553	-	-	44,553	-	-	44,553
Office supplies and equipment	9,368	5,766	2,117	4,174	1,052	2,463	471	25,411	21,287	5,990	52,688	-	-	52,688
Program activities	46,801	4,736	4,868	8,238	1,427	-	1,962	68,032	17	623	68,672	-	-	68,672
Travel	5,986	11,570	1,901	562	3,867	13,022	-	36,908	4,892	16,788	58,588	-	-	58,588
Insurance	23,719	9,999	605	6,202	5,242	2,419	202	48,388	22,971	3,629	74,988	-	-	74,988
Training	28,134	14,690	5,472	5,034	1,733	15,886	-	70,949	11,385	26,712	109,046	-	-	109,046
Miscellaneous	13,272	3,043	224	925	2,907	-	7	20,378	13,099	2,525	36,002	-	-	36,002
Advertising	678	40	40	191	-	70	-	1,019	6,367	32,199	39,585	-	-	39,585
Printing and postage	1,417	2,103	123	284	81	179	-	4,187	8,967	11,125	24,279	-	-	24,279
Membership and development	224	1,275	350	576	-	500	-	2,925	1,379	445	4,749	-	-	4,749
Dues and subscriptions	93	997	-	12	-	-	-	1,102	265	6,764	8,131	-	-	8,131
Total other	657,424	218,653	36,333	130,004	47,493	667,524	23,343	1,780,774	351,162	158,490	2,290,426	107,566	(156,180)	2,241,812
Total expenses	\$ 2,780,648	\$ 1,222,745	\$ 298,536	\$ 565,855	\$ 424,422	\$ 839,818	\$ 77,547	\$ 6,209,571	\$ 1,117,090	\$ 508,438	\$ 7,835,099	\$ 382,909	\$ (539,619)	\$ 7,678,389

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

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

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 19,000 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 skills 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.

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 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, Somerville, Springfield, Westfield, West Springfield and Winthrop, Massachusetts, and is currently working on plans for its first out-of-state replication.

In addition to the work with young men, Roca works with young mothers in Chelsea, Revere and East Boston, Massachusetts. Serving over 200 young mothers each year, this program administers both a home visiting program and the delivery of 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. AND ROCA PALLIN YOUTH CENTER, INC.

Notes to Combining Financial Statements
June 30, 2015 and 2014

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

OPERATIONS AND NONPROFIT STATUS (Continued)

In January 2014, Roca began an eight-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.

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 929 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 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). 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 and Roca Pallin (collectively, the Agency) are also exempt from state income taxes. Donors may deduct contributions made to Roca within IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Combination

Roca and Roca Pallin 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.

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contract revenue is recorded as services are provided. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and support and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor-restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.

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

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.

Donated Goods and Services

The Agency 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 value of these goods and services is as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Consultants and contracted services	\$ 151,782	\$ 164,737
Legal	149,628	258,217
Program supplies and materials	<u>45,547</u>	<u>76,059</u>
	<u>\$ 346,957</u>	<u>\$ 499,013</u>

Advertising Costs

The Agency expenses advertising costs as incurred.

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted:

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

Operating net assets represent net assets which 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 operations of the Agency.

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.

Temporarily Restricted:

Temporarily restricted net assets represent amounts received or committed by donors with time or purpose restrictions that have not yet been met. Temporarily restricted net assets consist of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Purpose restrictions:		
Other programs	\$ 1,778,529	\$ 1,107,335
Pay for success program	<u>876,894</u>	<u>1,340,620</u>
Total purpose restrictions	2,655,423	2,447,955
Capital restrictions	179,291	30,291
Time restrictions	<u>97,000</u>	<u>172,571</u>
	<u>\$ 2,931,714</u>	<u>\$ 2,650,817</u>

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014, is \$122,774 and \$44,663, 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.
- 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.

Investment return consists of interest, capital gain distributions, dividends, and realized and unrealized gains and losses on investments (see Note 6). 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 investments for long-term growth.

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2015</u>	<u>2014</u>
Special event contributions and support	\$ 417,137	\$ 219,319
Special event revenue	\$ 155,000	\$ 135,000
Less - direct expenses	<u>(48,539)</u>	<u>(34,109)</u>
	<u>106,461</u>	<u>100,891</u>
Total special events, net	<u>\$ 523,598</u>	<u>\$ 320,210</u>

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Renewals and improvements are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method. Property and equipment are depreciated 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

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 October 29, 2015, which is the date the combining financial statements were available to be issued. See Notes 3 and 4 for the description of events that met the criteria for disclosure.

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

2. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2015 and 2014, 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 \$92,259 and \$80,439 for the years ended June 30, 2015 and 2014, respectively. Roca Pallin also incurred \$52,500 for property management services during fiscal years 2015 and 2014, from Roca.

The Agency entered into the following additional related party transaction:

- The Founder/Chief Executive Officer (CEO) of Roca 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 with monthly rent payments of \$19,450 through June 30, 2015, which was subsequently extended until June 30, 2016. Roca also leases a facility in Springfield, Massachusetts from Roca Pallin under a non-cancelable lease agreement with monthly rent payments of \$5,800 through June 30, 2015, which was subsequently extended until June 30, 2016, under the same terms and conditions. During the years ended June 30, 2015 and 2014, the Agency incurred rent expense of \$303,000 (see Note 2). The Agency 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 and are eliminated from the combined totals.

During fiscal year 2015, Roca entered into a three-year lease for a facility for the expansion of the Boston program. Roca is required to make monthly rental payments of approximately \$4,000 and is responsible for 20% of all operating costs of the property not including utilities, which are charged separately. Subsequent to year-end, Roca extended the lease through April 2020 and increased the amount of space it occupies in the building. Under this extension, Roca's monthly rent payment is approximately \$5,500.

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

3. LEASE AGREEMENTS (Continued)

Facility (Continued)

Future minimum lease payments under these agreements, including the subsequent lease extensions previously noted, are as follows:

2016	\$ 373,762
2017	\$ 67,481
2018	\$ 69,485
2019	\$ 71,489
2020	\$ 61,105

Vehicles

During fiscal years 2015 and 2014, Roca leased vehicles from Roca Pallin under a lease agreement that expired on June 30, 2015, at an annual rent of approximately \$129,000 and \$104,000 for the years ended June 30, 2015 and 2014, respectively. Subsequent to June 30, 2015, this lease was modified to include additional vehicles and extended through June 30, 2016, at an annual rate of approximately \$173,000. Lease expense under this agreement was \$132,426 and \$103,680 for the years ended June 30, 2015 and 2014, 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 under operating lease agreements expiring at various dates through October 2018. The Agency has the ability to purchase the equipment at the end of the lease term. Future minimum lease payments under these agreements over the remainder of the lease terms are as follows:

2016	\$ 24,396
2017	\$ 23,274
2018	\$ 23,172
2019	\$ 7,724

During the years ended June 30, 2015 and 2014, the Agency incurred equipment lease and maintenance expenses totaling \$31,166 and \$21,275, 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 401(k) Retirement Plan (the Plan) for all eligible employees. Employees become eligible to participate upon completing three months of employment, having worked at least 250 hours, and be a minimum of 21 years old. If the employee does not complete 250 hours of service within their first three months of employment, then the employee will have satisfied the service requirement when credited with a year of service. Employees may make plan contributions up to the maximum allowed by law. The Agency has the right to make discretionary contributions to the Plan. The Agency elected not to make a discretionary contribution to the Plan during fiscal years 2015 and 2014.

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

4. RETIREMENT PLAN (Continued)

Effective July 1, 2015, the Agency terminated the Plan and entered into a 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 Plan during any of the plan years but is not required to. 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.

5. FUNDING

The Agency receives income from various funding sources to compensate for services rendered under cost reimbursement and unit-rate contracts. Approximately 26% and 33% of total operating support and revenues for the years ended June 30, 2015 and 2014, respectively, and approximately 24% and 34% of gross accounts receivable as of June 30, 2015 and 2014, respectively, are related to various departments of the Commonwealth of Massachusetts. Additionally, approximately 11% of gross accounts receivable as of June 30, 2014, is related to one Federal agency. 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, 2015 and 2014, or on its combining changes in net assets for the years then ended.

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 investment.

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

	<u>2015</u>	<u>2014</u>
Mutual funds:		
Fixed income:		
Fixed income securities	\$ 2,357,194	\$ 2,300,167
Investment grade debt instruments	1,458,131	1,288,074
Investment grade securities	969,241	887,699
High Yield and Emerging Markets Securities	356,207	330,776
Total return fund	<u>309,396</u>	<u>-</u>
Total fixed income	5,450,169	4,806,716
Domestic equity	1,686,373	1,248,143
International equity	<u>1,498,321</u>	<u>992,049</u>
	<u>\$ 8,634,863</u>	<u>\$ 7,046,908</u>

The Agency uses the total return method for allocating the investment return to the Board designated endowment and other unrestricted investment balances. 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 of the underlying funds in the portfolio is 20%-40% equity and 60%-80% 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.

ROCA, INC. AND ROCA PALLIN YOUTH CENTER, INC.Notes to Combining Financial Statements
June 30, 2015 and 2014

6. INVESTMENTS (Continued)

Investment return, net is comprised of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Interest and dividends, net of fees	\$ 279,824	\$ 247,988
Realized gains on sale of investments	71,188	13,382
Unrealized gains (losses) on investments	<u>(205,781)</u>	<u>299,851</u>
	<u>\$ 145,231</u>	<u>\$ 561,221</u>

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

	<u>2015</u>	<u>2014</u>
Endowment net assets, beginning of year	<u>\$ 5,000,000</u>	<u>\$ 4,441,881</u>
Investment return:		
Interest and dividends, net of fees	210,303	186,939
Realized gains on sale of investments	61,992	13,052
Unrealized gains (losses) on investments	<u>(160,936)</u>	<u>228,027</u>
Total investment return	<u>111,359</u>	<u>428,018</u>
Additions	<u>300,000</u>	<u>130,101</u>
Endowment net assets, end of year	<u>\$ 5,411,359</u>	<u>\$ 5,000,000</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 268,900	\$ 268,900
Building improvements	1,670,478	1,645,478
Leasehold improvements	1,201,948	1,174,748
Buildings	849,438	849,438
Vehicles	646,260	522,846
Equipment	169,987	169,985
Furniture and Fixtures	<u>75,004</u>	<u>72,905</u>
	4,882,015	4,704,300
Less - accumulated depreciation	<u>2,792,032</u>	<u>2,482,594</u>
	<u>\$ 2,089,983</u>	<u>\$ 2,221,706</u>

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

Notes to Combining Financial Statements
June 30, 2015 and 2014

8. GRANTS RECEIVABLE

Grants receivable represent amounts committed by donors that are restricted for specific programs. As of June 30, 2015 and 2014, approximately 89% and 85%, respectively, of grants receivable were due from three donors. 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>2015</u>	<u>2014</u>
Due within one year	\$ 595,850	\$ 1,335,664
Due in one to five years	<u>921,251</u>	<u>42,000</u>
	1,517,101	1,377,664
Less - discount	<u>19,232</u>	<u>1,009</u>
	1,497,869	1,376,655
Less - current portion	<u>595,850</u>	<u>1,335,664</u>
	\$ <u>902,019</u>	\$ <u>40,991</u>
Long-term grants receivable	<u>\$ 902,019</u>	<u>\$ 40,991</u>

These grants receivable have been discounted to present value using a discount rate of approximately 1.6% as of June 30, 2015 and 2014.

9. PLEDGES RECEIVABLE

Pledges receivable consist of amounts committed to the Agency by various donors. These amounts are expected to be collected within one year and are therefore presented as short-term in the accompanying combining statements of financial position.

10. 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% at June 30, 2015 and 2014). The line of credit is secured by all assets of the Agency. There was no outstanding balance at June 30, 2015 and 2014. This line of credit is renewable annually in July.

11. CONCENTRATIONS

The Agency maintains its cash balances in a bank in Massachusetts. 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 and 8 for additional concentrations.

12. 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.

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

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13. CONTINGENT COMMITMENT

Roca's PFS contract is a six-year, approximately \$23.4 million contract through which Roca will enroll 929 very high-risk young men in its Intervention Model. Enrollments will be made over a 3.5 year period, with each young person being served for up to four years. Roca is a 15% investor in the project, meaning that 15% of all service fees (approximately \$3.5 million) will not be earned (paid) until Roca's success is demonstrated. As such, Roca 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, 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.

During the years ended June 30, 2015 and 2014, Roca earned revenue totaling \$2,822,932 and \$840,958, respectively, under this contract. 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 Roca to receive the funds.

14. RECLASSIFICATIONS

Certain amounts in the June 30, 2014 combining financial statements have been reclassified to conform with the June 30, 2015 presentation.