

FOR KIDS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2021



ASSURANCE, TAX & ADVISORY SERVICES

FORKIDS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

<i>FINANCIAL SECTION</i>	
Independent Auditor's Report	1 – 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 20
<i>SUPPLEMENTARY INFORMATION</i>	
Consolidated Schedule of Support	21 – 22

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ForKids, Inc. and Subsidiaries

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Consolidated Schedule of Support is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

PBMares, LLP

Newport News, Virginia
August 3, 2022

CONSOLIDATED FINANCIAL STATEMENTS

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION June 30, 2021 (With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,187,137	\$ 2,802,651	\$ 4,989,788	\$ 11,527,037
Inventory	60,003	-	60,003	60,003
Marketable securities	714,019	-	714,019	2,112,695
Grants receivable	1,289,064	437,078	1,726,142	1,332,574
Accounts receivable	439,823	-	439,823	9,663
Pledges receivable, net, current portion	-	1,730,464	1,730,464	1,024,053
Prepaid expenses	70,716	-	70,716	84,013
Total current assets	4,760,762	4,970,193	9,730,955	16,150,038
Property and Equipment, net	20,187,681	397,166	20,584,847	11,900,627
Noncurrent Assets				
Pledges receivable, net, long-term portion	-	229,590	229,590	1,504,493
Deposits	13,460	-	13,460	13,460
Total noncurrent assets	13,460	229,590	243,050	1,517,953
Total assets	\$ 24,961,903	\$ 5,596,949	\$ 30,558,852	\$ 29,568,618
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 243,873	\$ -	\$ 243,873	\$ 698,398
Refundable advances (Paycheck Protection Program)	-	-	-	855,700
Escrow liability	-	10,071	10,071	8,185
Sales tax payable	-	-	-	5
Accrued expenses	1,270,327	-	1,270,327	512,841
Total current liabilities	1,514,200	10,071	1,524,271	2,075,129
Total liabilities	1,514,200	10,071	1,524,271	2,075,129
Net Assets	23,447,703	5,586,878	29,034,581	27,493,489
Total liabilities and net assets	\$ 24,961,903	\$ 5,596,949	\$ 30,558,852	\$ 29,568,618

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support				
Federal agencies	\$ -	\$ 8,479,113	\$ 8,479,113	\$ 2,601,471
Contributions	2,309,241	265,733	2,574,974	2,329,124
Capital campaign	-	993,670	993,670	3,712,035
Government grants	-	1,263,142	1,263,142	1,821,695
Donated goods and services	-	182,010	182,010	196,451
United Way	283,596	60,795	344,391	297,107
Total	2,592,837	11,244,463	13,837,300	10,957,883
Net assets released from restrictions:				
Satisfaction of restrictions	17,144,611	(17,144,611)	-	-
Total support	19,737,448	(5,900,148)	13,837,300	10,957,883
Revenue:				
Fundraising (net of expenses of \$122,346 and \$106,276 for June 30, 2021 and 2020, respectively)	1,325,363	-	1,325,363	882,161
Interest and dividends	27,890	-	27,890	170,724
Rent and program fees	144,792	-	144,792	141,065
Thrift store sales	178	-	178	173,169
Realized/unrealized gain on marketable securities	202,381	-	202,381	22,582
Gain (loss) on sale of assets	(29,104)	-	(29,104)	4,182
Miscellaneous	-	-	-	13,026
Total revenue	1,671,500	-	1,671,500	1,406,909
Total support and revenue	21,408,948	(5,900,148)	15,508,800	12,364,792
Functional Expenses				
Program services	12,531,072	-	12,531,072	6,403,631
Management and general	620,895	-	620,895	605,224
Fundraising	815,741	-	815,741	732,465
Total functional expenses	13,967,708	-	13,967,708	7,741,320
Change in net assets	7,441,240	(5,900,148)	1,541,092	4,623,472
Net Assets, beginning of year	16,006,463	11,487,026	27,493,489	22,870,017
Net Assets, end of year	\$ 23,447,703	\$ 5,586,878	\$ 29,034,581	\$ 27,493,489

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Bad Debt	\$ 41,108	\$ -	\$ -	\$ 41,108	\$ 33,584
Childcare	-	-	-	-	690
Children's Services	-	-	-	-	69,885
Depreciation	328,682	-	-	328,682	197,922
Donated Goods and Services	164,390	-	-	164,390	198,299
Dues and Subscriptions	6,498	-	-	6,498	-
Employee Benefits	472,572	51,160	53,476	577,208	483,898
Furniture and Equipment	-	-	-	-	7,542
Housing Assistance	6,708,760	-	-	6,708,760	1,546,607
Insurance	84,594	-	-	84,594	121,225
Marketing and Advertising	4,325	-	-	4,325	-
Miscellaneous	133,824	-	-	133,824	4,478
Payroll Taxes	248,713	38,111	40,731	327,555	280,795
Postage	7,455	-	-	7,455	3,352
Printing and Publication	32,825	45	16,826	49,696	36,024
Professional Fees	218,518	-	-	218,518	122,914
Program Services	32,220	-	-	32,220	54,643
Rent	159,981	2,100	21,443	183,524	223,620
Repairs and Maintenance	169,271	-	-	169,271	110,381
Salaries	3,235,899	516,088	559,157	4,311,144	3,779,557
Security	3,800	-	-	3,800	7,552
Supplies	125,292	-	-	125,292	18,501
Taxes and Licenses	2,154	-	-	2,154	2,907
Technology	74,427	-	120,180	194,607	136,285
Telephone/Internet	83,214	3,257	450	86,921	82,274
Training	15,813	10,134	3,478	29,425	27,372
Travel/Employee Reimbursement	21,827	-	-	21,827	38,474
Utilities	145,184	-	-	145,184	133,730
Vehicle Maintenance	9,726	-	-	9,726	18,809
Total functional expenses	\$ 12,531,072	\$ 620,895	\$ 815,741	\$ 13,967,708	\$ 7,741,320

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,541,092	\$ 4,623,472
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	328,682	197,922
Realized and unrealized gain on marketable securities	(166,997)	(22,582)
Loss (gain) on sale of assets	29,104	(4,182)
Contributed investments	(450,599)	(3,040,208)
Contributions for long-term purposes	(808,804)	(1,898,100)
Provision for discount on pledges receivable	31,435	50,760
Bad debt	41,108	33,584
Change in operating assets and liabilities:		
Inventory	-	1,848
Grants receivable	(393,568)	(358,330)
Accounts receivable	(471,268)	44,112
Pledges receivable	162,809	(1,954,313)
Prepaid expenses	13,297	(40,831)
Accounts payable	(454,525)	(173,862)
Escrow liability	1,886	100
Sales tax payable	(5)	(1,199)
Accrued expenses	781,022	26,457
Refundable advances	(855,700)	855,700
Net cash used in operating activities	(671,031)	(1,659,652)
Cash Flows from Investing Activities		
Proceeds from sale of marketable securities	2,016,272	1,531,745
Purchases of marketable securities	-	(103,666)
Purchases of property and equipment	(9,065,542)	(5,944,082)
Net cash used in investing activities	(7,049,270)	(4,516,003)
Cash Flows from Financing Activities		
Collections on contributions restricted for long-term purposes	1,183,052	8,422,055
Net cash provided by financing activities	1,183,052	8,422,055
Increase (decrease) in cash and cash equivalents	(6,537,249)	2,246,400
Cash and Cash Equivalents, beginning	11,527,037	9,280,637
Cash and Cash Equivalents, ending	\$ 4,989,788	\$ 11,527,037
Supplemental Non-Cash Flow Activities:		
Accrued property and equipment	\$ 882,991	\$ 906,527
Contributed goods and services	182,010	196,451

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: With a mission to break the cycle of homelessness and poverty for families and children, ForKids, Inc. is more than a safety net. Our holistic service model advances the health, education, employment, and personal growth of the adults and children we serve. Our objective is to foster self-reliant, healthy families and successful kids. On any given day, ForKids’ in-depth programs assist over 250 families including 500 children from Norfolk, Portsmouth, Chesapeake, Suffolk, Western Tidewater, and Virginia Beach; our extended services now touch the lives of over 75,000 individuals each year in fourteen cities and counties in Southeastern Virginia.

Programs include emergency shelter, rapid re-housing, supportive housing, prevention, tenant based rental assistance, out-of-school time education programs, Mobility Mentoring® and targeted services for veteran families. In addition, ForKids operates the Regional Housing Crisis Hotline and Resources757 connecting families across greater Hampton Roads to vital local resources. Programs are delivered out of the newly completed Landmark Center in Chesapeake and Birdsong Center in Suffolk. You can learn more at www.ForKids.org.

ForKids Suffolk, L.L.C. (the “Company”) was established in 2008 as a wholly-owned subsidiary for the purpose of holding real property located in Suffolk, Virginia.

ForKids Thrift, L.L.C. d/b/a Good Mojo (the “Thrift Store”) was established in 2010 as a wholly-owned subsidiary for the purpose of dealing with donations received and the sale of thrift items for the benefit of the Organization and the community.

ForKids Foundation, L.L.C. was established in 2006 as a wholly-owned subsidiary for the purpose of dealing with the proceeds from contributions and grants received for the benefit of the Organization.

ForKids Properties, L.L.C. was established in 2010 as a wholly-owned subsidiary for the purpose of holding real property.

ForKids Investments, L.L.C. was established in 2014 as a wholly-owned subsidiary for the purpose of holding investments.

Housing Crisis Hotline, L.L.C. was established in 2016 as a wholly-owned subsidiary for the purpose of acquiring a multi-line telephone system and the furniture, fixtures, and equipment required to operate a telephone hotline.

Principles of consolidation: The consolidated financial statements include the accounts of ForKids, Inc. and its wholly-owned subsidiaries:

ForKids Suffolk, L.L.C.	ForKids Investments, L.L.C.
ForKids Foundation, L.L.C.	ForKids Thrift, L.L.C.
ForKids Properties, L.L.C.	Housing Crisis Hotline, L.L.C.

All inter-company accounts and transactions have been eliminated during consolidation.

Cash equivalents: For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Method of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

Accounts receivable: Accounts receivable consist of trade accounts receivable and are stated at amounts billed less an allowance for doubtful accounts. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the receivable portfolios. An allowance was not deemed necessary at June 30, 2021 and 2020. The balance of accounts receivable at June 30, 2019 was \$53,775.

Grants receivable: Grants receivable consist of federal, state, and private grants. The Organization determines the need for an allowance for doubtful accounts based on historical data and management's opinion of the collectability of receivables. An allowance was not deemed necessary at June 30, 2021 and 2020.

Pledges receivable: Pledges are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional pledges to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional pledges receivable that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. Pledges receivable are stated at amounts pledged less a discount and an allowance for uncollectible accounts. A discount of \$50,969 and \$82,404 was recorded for the years ended June 30, 2021 and 2020, respectively. The discount rate was 1.92% for June 30, 2021 and 2020. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past collection experience, current economic conditions, and other risks inherent in the receivables portfolio. An allowance for doubtful accounts was not deemed necessary for the years ended June 30, 2021 and June 30, 2020.

Marketable securities: The Organization reports marketable securities at their fair value in the consolidated statements of financial position and are classified as trading securities. Unrealized gains and losses, less investment expenses, are included in the unrestricted change in net assets in the accompanying consolidated statements of activities.

Property and equipment: Property and equipment are recorded at cost, or if contributed, at the estimated fair value at the date of contribution. Contributions are reported as unrestricted support unless the donor restricted the donated asset to a specific purpose. Long-lived assets held and used by the Organization are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable. Depreciation is calculated using straight-line and accelerated methods based on the following useful lives:

Building and improvements	15 – 40 years
Furniture and equipment	5 – 7 years
Transportation equipment	5 years

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income taxes: The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization at June 30, 2021. Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined the Organization had no uncertain income tax positions at June 30, 2021 and 2020. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. The Organization's policy is to classify income tax related to interest and penalties, if any, in other interest expense.

ForKids Suffolk, L.L.C., ForKids Foundation, L.L.C, ForKids Investments, L.L.C., ForKids Properties, L.L.C., ForKids Thrift, L.L.C., and Housing Crisis Hotline, L.L.C. are Virginia limited liability companies. The members' share of income or loss is reported directly on the members' income tax return. Therefore, no provision for income taxes has been reflected in these consolidated financial statements.

Inventory: Inventory consists of contributed goods and is stated at standard thrift store prices which approximates fair value.

Financial statement presentation: The Organization presents its consolidated financial statements in accordance with U.S. GAAP for financial statements of nonprofit organizations. Under these accounting standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Organization is required to present statements of functional expenses and cash flows.

Classification of net assets: Net assets, revenues, expense, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are free of donor-imposed stipulations and are fully available to utilize for any program or supporting services. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors' stipulations results in the release of such restrictions. The Board of Directors (the "Board") may designate certain amounts to be utilized or invested to meet specific objectives of the Organization.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Organization. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from donor restrictions. The Organization held net assets with donor restrictions to be held in perpetuity of \$72,943 and \$58,959 at June 30, 2021 and 2020, respectively. See further discussion at Note 14.

Advertising costs: The Organization expenses advertising costs as incurred. During the years ended June 30, 2021 and 2020, the Organization expensed advertising costs of \$4,325 and \$8,804, respectively.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: Program expenses include those costs that can be specifically identified with programs, as well as portions of certain indirect costs that, in management's estimation, are attributable to programs. Management and general expenses include those expenses that are not directly identifiable with any other specific program but provide for the overall support and direction of the Organization. Accordingly, certain costs have been allocated among the programs, management and general, and fundraising expenses. Operating expenses and self-supporting activities are allocated based on time and effort. The consolidated financial statements report expenses by function in the consolidated statement of functional expenses.

Federal agencies and government grants: Grant income is recognized in the year the grant is awarded. Cost reimbursement type grants are conditional contributions and recognized as revenue when time and purpose restrictions have been met. Many grants require the Organization to provide matching funds and are recorded as unrestricted revenue as the match requirements are met.

Refundable advances: The Organization received a loan through the Paycheck Protection Program (PPP) during the year ended June 30, 2020. The Organization recognized the funds as a refundable advance on the consolidated statements of financial position using guidance from Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 and then as support on the consolidated statements of activities once formal notice of forgiveness was been received.

Prior year summarized information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's audited consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Significant new accounting standards not yet adopted: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Significant new accounting standards not yet adopted (continued): In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Not-for-profits will be required to provide additional information on the contributions of nonfinancial assets they receive under a new accounting standard issued. Contributed nonfinancial assets can include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. The new ASU requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If they were utilized, a description of the programs or other activities in which those assets were used is required. The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets must also be disclosed as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets. FASB is requiring the standard to be applied retrospectively. The amendments take effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

Note 2. Restricted Cash

Restricted cash consists of the following:

Donor	Restriction	June 30, 2021
Client escrow	Escrow account	\$ 367
Security deposits	Security deposit	9,704
Programs/services	Capital campaign and endowment	2,792,580
Total		\$ 2,802,651

Donor	Restriction	June 30, 2020
Client escrow	Escrow account	\$ 367
Security deposits	Security deposit	7,818
Programs/services	Capital campaign and endowment	8,116,693
Total		\$ 8,124,878

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Marketable Securities

Marketable securities consist of mutual and exchange funds and are presented on the consolidated statements of financial position at June 30 as follows:

	2021		2020	
	Cost	Value	Cost	Value
Current assets:				
Marketable securities	\$ 613,457	\$ 714,019	\$ 2,057,275	\$ 2,112,695
Total	\$ 613,457	\$ 714,019	\$ 2,057,275	\$ 2,112,695

Note 4. Liquidity and Availability of Funds

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2021	2020
Cash and cash equivalents	\$ 2,187,137	\$ 3,402,159
Grants receivable	1,289,064	887,953
Accounts receivable	439,823	9,663
Marketable securities	714,019	2,112,695
Prepaid expenses	70,716	84,013
Total financial assets available to meet general expenditures within one year	\$ 4,700,759	\$ 6,496,483

Included in pledges receivable are \$26,700 and \$239,250 of donor restricted contributions that the Organization expects to be released from restriction within one year for the year ended June 30, 2021 and 2020, respectively.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers general expenditures to be all program services, management and general, and fundraising costs presented in the Statement of Functional Expenses incurred in the ordinary course of the advancement of the Organization's mission. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was \$210,058 and \$209,296 as of June 30, 2021 and 2020, respectively. This fund established by the Board of Directors may be drawn upon, if necessary, to meet unexpected liquidity needs. Additionally, the Organization maintains a \$500,000 line of credit, as discussed in more detail in Note 12. As of June 30, 2021 and 2020, \$500,000 remained available on the Organization's line of credit.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Donated Goods and Services

Community volunteers donate a significant amount of non-professional time to program services which cannot be objectively valued and are not reflected.

The consolidated financial statements also reflect donated goods and services of \$182,010 and \$196,451, which consisted of thrift store items, property, and various other goods for the years ended June 30, 2021 and 2020, respectively. The Organization received donated stock with a fair value of \$450,599 and \$3,040,208 during the years ended June 30, 2021 and 2020, respectively. It is the Organization's policy to immediately sell all stock donations upon receipt.

Note 6. Pledges Receivable

Pledges receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 1,730,464	\$ 1,024,053
Receivable in one to five years	280,559	1,586,897
Total pledges receivable	<u>2,011,023</u>	<u>2,610,950</u>
Less unamortized discount	(50,969)	(82,404)
Net pledges receivable	<u>\$ 1,960,054</u>	<u>\$ 2,528,546</u>

As shown on the consolidated statements of financial position:

Current portion of pledges receivable	\$ 1,730,464	\$ 1,024,053
Long-term portion of pledges receivable, net	229,590	1,504,493
	<u>\$ 1,960,054</u>	<u>\$ 2,528,546</u>

Note 7. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 848,668	\$ 641,695
Buildings and improvements	19,059,044	5,015,561
Furniture and equipment	2,482,494	571,066
Transportation equipment	311,222	334,076
Construction in progress	73,979	7,657,735
	<u>22,775,407</u>	<u>14,220,133</u>
Less accumulated depreciation	(2,190,560)	(2,319,506)
	<u>\$ 20,584,847</u>	<u>\$ 11,900,627</u>

Depreciation expense was \$328,682 and \$197,922 for the years ended June 30, 2021 and 2020, respectively.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Lease Commitments

The Organization leased office space with lease payments of an escalating base rent (plus certain allocable direct costs) required under present commitment agreements. The lease expired March 1, 2021. Rental expense for the building was \$128,233 and \$150,822 for the years ended June 30, 2021 and 2020, respectively.

In addition, the Organization leased the premises it occupied for the Thrift Store with annual payments of \$61,566 for 2020. The lease expired in June 2020.

In July 2021 the Organization leased storage space for the Thrift Store inventory. The lease required monthly payments of \$1,000 and expired in July 2022.

During 2012, the Organization began a new program leasing multiple premises for use in program services. Payments are reimbursed by the U.S. Department of Housing and Urban Development (“HUD”) under the Supportive Housing Program. Lease terms are one year or month-to-month thereafter.

Due to the program mentioned in the preceding paragraph, a portion of the rental expense is classified as housing assistance on the consolidated statement of functional expense. Rental expense under the various leases for the years ended June 30, 2021 and 2020 was \$199,076 and \$225,224, respectively.

Future minimum lease payments under these lease agreements are:

<u>Year(s) Ending June 30,</u>	<u>Amount</u>
2022	\$ 68,089
2023	25,656
2024	25,656
2025	25,656
Total	<u>\$ 145,057</u>

The Organization leases office equipment under various lease agreements that expired in fiscal year 2020. Rental expense was \$26,696 for the year ended June 30, 2020.

Note 9. Lessor Arrangements

The Organization has leasing operations that consist principally of leasing buildings. The Organization’s leases are classified as operating leases. Total rental income from unrelated parties for the years ended June 30, 2021 and 2020 was \$115,066 and \$103,411, respectively.

The Organization’s investment in property held for lease as of June 30, 2021 consists of the following:

Building	\$ 1,400,938
Less accumulated depreciation	<u>(605,455)</u>
	<u>\$ 795,483</u>

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Lessor Arrangements (Continued)

Minimum future rentals are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 3,810</u>

Note 10. Pension Plan

The Organization maintains a Simple IRA retirement plan that allows employees making more than \$5,000 to participate. The Organization will provide a dollar-for-dollar match up to 3% of each participant's annual salary. During the years ended June 30, 2021 and 2020, the Organization incurred pension expenses of \$111,013 and \$87,621, respectively, which is included in employee benefits in the consolidated statement of functional expenses.

Note 11. United Way

The amount shown on the accompanying consolidated statements of activities as being received from the United Way of South Hampton Roads is net of the Organization's proportionate share of federal fundraising costs of \$23,412 and \$29,066 for the years ended June 30, 2021 and 2020, respectively.

Note 12. Line of Credit

The Organization has a line of credit with a limit of \$500,000, which is due on demand. The amount available is secured by a deed of trust and accounts receivable. Interest is payable on the line at an annual rate equal to the *Wall Street Journal* prime rate with a floor of 4.0%. At June 30, 2021 and 2020, there was no outstanding balance.

Note 13. Risk and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law to provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic. Under the CARES Act, the Organization applied for a Payroll Protection Program (PPP) loan that is administered by the Small Business Administration, and received \$855,700 during the year ended June 30, 2020. Under the provision of the PPP, the loan or portions thereof may be forgiven if certain conditions are met by the Organization. In May 2021, the Organization was notified that the entire balance of the loan proceeds had been forgiven and this amount is included on the statement of activities in federal agencies support for the year ended June 30, 2021.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment

The Organization's endowment includes both donor-restricted endowment and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Organization's Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 and 2020. The Organization has interpreted the UPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

Return Objectives and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that it will earn annualized nominal net return goal (net of fees) of 6.0%. Asset allocations should be targeted to produce expected returns consistent with this target using long-term historical returns of assets classes as a guide. Actual returns in any given year may vary from this amount.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment (Continued)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The annual spending rate shall be 4% of an eight quarter (two year) moving average of the market value of the endowment as determined each September 20th. The spending rate will be reviewed annually with respect to investment performance, and will be changed only by the majority vote of the Board Managers of the ForKids Foundation. Funds that have donor restrictions are to be disbursed only in accordance with documentation received at the time of the gift to the Organization. In the absence of donor restrictions, income earned on donor restricted endowments are classified as endowments without donor restrictions and expensed according to the mission of the Organization. The Organization’s spending policy is consistent with its objective of maintaining the original principal balance of donor restricted endowment funds.

For the years ended June 30, 2021 and 2020, the Organization had the following endowment-related activities:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 72,943	\$ 72,943
Board-designated endowment funds	850,931	-	850,931
Total funds as of June 30, 2021	\$ 850,931	\$ 72,943	\$ 923,874
Balance as of June 30, 2020	\$ 653,279	\$ 58,959	\$ 712,238
Net increase in market value	197,652	-	197,652
Contributions	-	13,984	13,984
Balance as of June 30, 2021	\$ 850,931	\$ 72,943	\$ 923,874
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 58,959	\$ 58,959
Board-designated endowment funds	653,279	-	653,279
Total funds as of June 30, 2020	\$ 653,279	\$ 58,959	\$ 712,238
Balance as of June 30, 2019	\$ 606,392	\$ 55,100	\$ 661,492
Net increase in market value	46,887	-	46,887
Contributions	-	3,859	3,859
Balance as of June 30, 2020	\$ 653,279	\$ 58,959	\$ 712,238

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2021	2020
Children services	\$ 75,000	\$ 150,000
Capital Campaign for new facilities	4,790,241	9,646,030
Endowment	72,943	58,959
Fixed assets	397,166	397,166
Programs/services	251,528	1,234,871
	\$ 5,586,878	\$ 11,487,026

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the other events specified by donors as follows:

	2021	2020
Children services	\$ 160,022	\$ 349,404
Capital Campaign for new facilities	9,477,511	6,087,482
Fixed Assets	-	38,140
Programs/services	7,507,078	7,306,653
	\$ 17,144,611	\$ 13,781,679

Note 16. Concentrations

The Organization receives a significant amount of its support from the federal government, both directly and indirectly via pass-through funds from state and local governments. If a significant reduction in the level of support was to occur, it would affect the Organization's future programs and activities. During the years ended June 30, 2021 and 2020, total support from the federal government totaled 55% and 24% of total revenue, respectively.

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits.

Accounts receivable also potentially subjects the Organization to concentration of credit risk. This risk is limited due to the number of sources comprising the Organization's revenue base.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Fair Value Measurements

The Organization determines the fair value of its financial instruments based on the fair value hierarchy established in accounting standards which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting standards define fair value as the exchange price that would be received for an asset or liability in the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards describe three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Mutual and Exchange Funds – These investments are public investment vehicles valued using the net asset value (“NAV”) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

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

Note 18. Funds Held By Others

The Organization is currently the designated recipient of income from two funds maintained at the Hampton Roads Community Foundation (“HRCF”). The ForKids, Inc. endowment is an organizational fund held by HRCF of which the Organization may request annual distributions of 5% of asset value based on a trailing 12-quarter average asset value. The value of this fund as of June 30, 2021 and 2020 is \$51,231 and \$50,095, respectively. The Mary Ludlow Home fund is a donor advised fund from which the Organization receives annual distributions. These distributions are approximately 4.5% based on a trailing 12-quarter average asset value. The value of this fund as of June 30, 2021 and 2020 is \$1,296,125 and \$988,494, respectively. These funds are not on the Organization's consolidated statements of financial position.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Related Party Transactions

The Organization has pledged receivables of \$722,093 and \$709,452 from members of the Organization's Board of Directors at June 30, 2021 and 2020, respectively.

Note 20. Subsequent Events

The Organization has evaluated all events subsequent to June 30, 2021 through August 3, 2022, which is the date these consolidated financial statements were available to be issued. Management has determined that there are no subsequent events that are required to be disclosed pursuant to the FASB ASC.

SUPPLEMENTARY INFORMATION

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SUPPORT

Year Ended June 30, 2021

Federal Agencies	
Supportive Housing Program (SVHC)	\$ 147,673
Supportive Housing Program (PSH Norfolk)	543,579
Supportive Housing Program (Leap/TIP/RR)	545,656
Supportive Housing Program (Elizabeth Place)	117,625
Supportive Housing Program (Bridge)	115,802
Supportive Housing Program (GVPHC)	65,682
Supportive Services for Veterans families	420,487
21st Century Community Learning Centers Grant	80,022
Community Development Block Grant (Norfolk)	17,122
Community Development Block Grant (Norfolk - CV)	155,296
Community Development Block Grant (Chesapeake)	105,927
Community Development Block Grant (Chesapeake - CV Capital)	250,000
Community Development Block Grant (Virginia Beach)	84,958
Community Development Block Grant (Suffolk)	17,000
Community Development Block Grant (Suffolk - CV)	46,601
Community Development Block Grant (Portsmouth)	35,000
Community Development Block Grant (Portsmouth - CV)	191,519
Community Development Block Grant (Portsmouth - CV Capital)	250,000
Emergency Solutions Grant (Norfolk)	262,130
Emergency Solutions Grant (Virginia Beach)	6,651
Emergency Food and Shelter Program	19,627
Emergency Food and Shelter Program (Cares)	18,580
Rent and Mortgage Relief Program (Virginia Beach)	1,557,836
Rent and Mortgage Relief Program (SVHC)	2,144,876
Virginia Homeless Solutions Program (SVHC)	147,424
Virginia Homeless Solutions Program (Shelter CV - FEMA)	18,072
Tenant Based Rental Assistance Program (Chesapeake)	161,684
Tenant Based Rental Assistance Program (Portsmouth)	96,584
Paycheck Protection Program Loan Forgiveness	855,700
Total federal agencies	8,479,113

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SUPPORT (Continued) Year Ended June 30, 2021

Contributions	
Individuals, churches, businesses, and foundations grants	<u>\$ 3,568,644</u>
Other Government Grants	
City of Suffolk	31,500
City of Chesapeake	45,000
City of Virginia Beach	112,205
County of Isle of Wight	5,000
Virginia Homeless Solutions Program (SVHC)	570,368
Virginia Homeless Solutions Program (Portsmouth)	21,600
Virginia Homeless Solutions Program (Peninsula)	54,792
VHDA	17,722
Housing Trust Fund	100,578
Human Services Grant (Chesapeake)	50,000
Human Services Grant (Norfolk)	36,327
Virginia COVID Homelessness Emergency Response Program	90,000
Other	128,050
Total other government grants	<u>1,263,142</u>
United Way	<u>344,391</u>
Donated Goods and Services	<u>182,010</u>
Total support	<u><u>\$ 13,837,300</u></u>