



**FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

*As of and for the Year Ended June 30, 2018
(With Comparative Information for 2017)*

And Report of Independent Auditor

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
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Report of Independent Auditor

The Board of Directors
ForKids, inc.
Norfolk, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ForKids, inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows, for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ForKids, inc. and Subsidiaries as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the ForKids, inc. and Subsidiaries' June 30, 2017 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of ForKids, inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Virginia Beach, Virginia
December 3, 2018

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	2018 Total	Comparative 2017 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,138,188	\$ 3,366,588	\$ 4,504,776	\$ 1,080,331
United Way endowment fund	54,538	-	54,538	51,566
Inventory	37,354	-	37,354	84,162
Marketable securities	377,528	-	377,528	5,000
Grants receivable	641,729	435,936	1,077,665	819,870
Accounts receivable	51,394	-	51,394	73,964
Pledges receivable, net, current portion	-	1,969,561	1,969,561	967,975
Prepaid expenses	69,731	-	69,731	27,025
Property held for sale	-	-	-	769,000
Total Current Assets	2,370,462	5,772,085	8,142,547	3,878,893
Property and equipment, net	4,392,061	435,306	4,827,367	4,024,654
Noncurrent Assets:				
Pledges receivable, net, long-term portion	-	2,275,441	2,275,441	2,020,346
Deposit	13,460	-	13,460	13,460
Total Noncurrent Assets	13,460	2,275,441	2,288,901	2,033,806
Total Assets	\$ 6,775,983	\$ 8,482,832	\$ 15,258,815	\$ 9,937,353
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable, trade	\$ 377,422	\$ -	\$ 377,422	\$ 66,611
Escrow liability	-	8,084	8,084	8,053
Current portion of long-term debt	-	-	-	8,770
Sales tax payable	254	-	254	1,252
Accrued wages and related liabilities	192,824	-	192,824	169,257
Total Current Liabilities	570,500	8,084	578,584	253,943
Long-term liabilities, net of current portion	-	-	-	1,467
Total Liabilities	570,500	8,084	578,584	255,410
Net Assets	6,205,483	8,474,748	14,680,231	9,681,943
Total Liabilities and Net Assets	\$ 6,775,983	\$ 8,482,832	\$ 15,258,815	\$ 9,937,353

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	2018 Total	Comparative 2017 Total
Support:				
Federal agencies	\$ -	\$ 2,337,953	\$ 2,337,953	\$ 2,258,200
Contributions	1,130,307	1,051,945	2,182,252	2,241,041
Capital campaign	-	5,238,271	5,238,271	998,148
Government grants	-	685,999	685,999	918,349
Contributed property and equipment	208,081	-	208,081	1,019,164
United Way fund	-	229,728	229,728	227,513
Total	<u>1,338,388</u>	<u>9,543,896</u>	<u>10,882,284</u>	<u>7,662,415</u>
Net assets released from restrictions:				
Satisfaction of restrictions	<u>5,491,728</u>	<u>(5,491,728)</u>	<u>-</u>	<u>-</u>
Total Support	<u>6,830,116</u>	<u>4,052,168</u>	<u>10,882,284</u>	<u>7,662,415</u>
Revenue:				
Fundraising (net of expenses of \$211,384 and \$158,950 for June 30, 2018 and 2017, respectively)	991,738	-	991,738	868,928
Interest and dividends	4,374	-	4,374	925
Rent and program fees	131,558	-	131,558	129,836
Thrift store sales	223,695	-	223,695	217,647
Realized/unrealized gain on investments	8,762	-	8,762	3,929
Gain (loss) on sale of assets	(327,600)	-	(327,600)	5,312
Miscellaneous	22,279	-	22,279	6,968
Total Revenue	<u>1,054,806</u>	<u>-</u>	<u>1,054,806</u>	<u>1,233,545</u>
Total Support and Revenue	<u>7,884,922</u>	<u>4,052,168</u>	<u>11,937,090</u>	<u>8,895,960</u>
Functional Expenses:				
Program services	5,742,876	-	5,742,876	5,840,846
Management and general	453,250	-	453,250	396,389
Fundraising	742,676	-	742,676	713,110
Total Functional Expenses	<u>6,938,802</u>	<u>-</u>	<u>6,938,802</u>	<u>6,950,345</u>
Change in net assets	946,120	4,052,168	4,998,288	1,945,615
Net assets, beginning of year	<u>5,259,363</u>	<u>4,422,580</u>	<u>9,681,943</u>	<u>7,736,328</u>
Net assets, end of year	<u>\$ 6,205,483</u>	<u>\$ 8,474,748</u>	<u>\$ 14,680,231</u>	<u>\$ 9,681,943</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Program Services	Management and General	Fundraising	2018 Total	Comparative 2017 Total
Bad debt	\$ -	\$ -	\$ 4,264	\$ 4,264	\$ 25,360
Childcare	350	-	-	350	15,876
Children's services	72,644	-	-	72,644	44,311
Depreciation	149,166	-	-	149,166	145,919
Employee benefits	398,969	36,050	70,721	505,740	414,702
Equipment	-	-	-	-	11,392
Housing assistance	1,194,074	-	-	1,194,074	1,251,819
Insurance	102,429	-	-	102,429	102,026
Interest	2,075	-	-	2,075	2,075
Miscellaneous	-	5,501	-	5,501	12,781
Payroll taxes	197,332	25,364	39,531	262,227	259,408
Postage	4,602	-	-	4,602	6,431
Printing and publications	20,763	2,804	11,798	35,365	35,345
Professional fees	82,885	14,537	37,592	135,014	152,487
Program services	65,299	-	-	65,299	113,534
Rent	178,320	15,845	25,421	219,586	199,302
Repairs and maintenance	110,596	-	-	110,596	89,165
Salaries	2,511,406	343,386	539,219	3,394,011	3,357,574
Security	11,285	-	-	11,285	14,945
Supplies	17,768	-	-	17,768	18,793
Taxes and licenses	7,665	388	622	8,675	11,015
Technology	58,979	5,965	9,786	74,730	91,450
Telephone	86,260	-	-	86,260	97,018
Training	17,389	2,313	3,722	23,424	31,465
Travel/employee reimbursements	41,538	1,097	-	42,635	45,209
Utilities	137,177	-	-	137,177	135,680
Value of goods sold	254,889	-	-	254,889	249,516
Vehicle maintenance	19,016	-	-	19,016	15,747
Total Functional Expenses	\$ 5,742,876	\$ 453,250	\$ 742,676	\$ 6,938,802	\$ 6,950,345

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,998,288	\$ 1,945,615
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	149,166	145,919
Realized/unrealized gain on investments	(8,762)	(3,929)
Realized (gain) loss on sale of assets	327,600	(5,312)
Contributed property and equipment	(208,081)	(1,019,164)
Provision for discount on pledges receivable	3,727	7,877
Bad debt	4,264	25,360
Change in operating assets and liabilities:		
Inventory	254,889	249,516
Grants receivable	(257,795)	350,699
Accounts receivable	18,306	36,140
Pledges receivable	(1,260,408)	(675,663)
Prepaid expenses	(42,706)	(1,400)
Accounts payable, trade	310,811	(35,006)
Escrow liability and deposits	31	(1,697)
Sales tax payable	(998)	136
Accrued wages and related liabilities	23,567	39,705
Net cash flows from operating activities	<u>4,311,899</u>	<u>1,058,796</u>
Cash flows from investing activities:		
Proceeds from sale of assets	945,941	5,771
Proceeds from sale of investments	4,552	52,161
Purchase of investments	(371,290)	-
Purchase of property and equipment	<u>(1,456,420)</u>	<u>(1,123,582)</u>
Net cash flows from investing activities	<u>(877,217)</u>	<u>(1,065,650)</u>
Cash flows from financing activities:		
Repayment of long-term liabilities	<u>(10,237)</u>	<u>(8,409)</u>
Net increase (decrease) in cash and cash equivalents	3,424,445	(15,263)
Cash and cash equivalents, beginning of year	<u>1,080,331</u>	<u>1,095,594</u>
Cash and cash equivalents, end of year	<u>\$ 4,504,776</u>	<u>\$ 1,080,331</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ (2,075)</u>	<u>\$ (2,075)</u>

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations - ForKids, inc. (the "Organization") is a nonprofit Virginia corporation. The mission of the Organization is to break the cycle of homelessness and poverty for families and children. As a nonprofit Virginia corporation, the Organization has developed a unique continuum of services to meet the wide spectrum of need found in homeless families. Incorporated in 1988 as an 8-family shelter, the Organization now supports a daily caseload of over 165 families through a multi-modal services infrastructure designed to provide the appropriate support for families based on their unique needs and circumstances. Through both site-based and in-home programs, the Organization provides emergency shelter, transitional housing, permanent supportive housing, and prevention and rapid re-housing programs in urban, suburban, and rural communities throughout South Hampton Roads and operates the "Regional Housing Crisis Hotline". Services include housing, case management, mental health therapy, life skills, employment and housing counseling, extensive children's education services, and homeless management information system ("HMIS") administration.

Regional Housing Crisis Hotline - Provides a central point of contact for those experiencing a housing crisis. These hotline services are offered to those throughout South Hampton Roads as well as the Peninsula. For the year ended June 30, 2018, the hotline received over 45,500 calls from nearly 24,000 callers. For the year ended June 30, 2017 the hotline received 37,738 calls from 18,435 callers.

Emergency Shelter and Services - Provides up to 120 days of shelter, coupled with clinical case management and educational services designed to overcome barriers to housing and self-sufficiency. Emergency overnight placement is also available as space allows. For the year ended June 30, 2018, 179 families with 357 children received emergency shelter and services during the year, and 99% exited to permanent or supportive housing. For the year ended June 30, 2017, 188 families with 362 children received emergency shelter and services during the year, and 96% exited to permanent or supportive housing.

Transitional Supportive Housing ("TSH") - Provides housing, clinical case management, and educational services for up to 2 years for families with high-housing barriers and high-acuity needs. Families develop the financial resources to obtain housing and learn the skills needed to maintain housing. For the year ended June 30, 2018, 11 families with 19 children lived in TSH for the year, with 100% of families exiting to appropriate housing in the community. For the year ended June 30, 2017, 17 families with 35 children lived in TSH for the year, with 91% of families exiting to appropriate housing in the community.

Permanent Supportive Housing ("PSH") - Families in PSH have a disabled member of the household and cannot sustain independent housing without support. For the year ended June 30, 2018, 39 families with 95 children lived in the PSH during the year, and 100% of families who exited went to other permanent housing. For the year ended June 30, 2017, 44 families with 99 children lived in the PSH during the year, and 85% of families who exited went to other permanent housing.

Rapid Re-housing and Stabilization Case Management - For the Cities of Norfolk, Suffolk, Portsmouth, and Chesapeake, ForKids provided stabilization case management for families who were rapidly re-housed following an episode of homelessness. For the year ended June 30, 2018, 221 households with 473 children received services, and 90% of families exited to appropriate housing in the community. For the year ended June 30, 2017, 213 households with 481 children received services, and 91% of families remained permanently housed at program exit.

Support Services for Veteran Families - As a sub-grantee of VBCDC, the Organization provides rapid re-housing and prevention services to veteran families in Norfolk, Chesapeake, and Western Tidewater. For the year ended June 30, 2018, 34 families with 54 children received these services, and 86% of families remained permanently housed at program exit. For the year ended June 30, 2017, 62 families with 93 children received these services, and 92% of families remained permanently housed at program exit.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

Children's Education Services - For the year ended June 30, 2018, 411 children received education services with 133 of these children also receiving individualized remediation through Beyond the Bell. For the year ended June 30, 2017, 454 children received education services with 178 of these children also receiving individualized remediation through Beyond the Bell.

The Organization is supported primarily through donor contributions, grants, and the United Way.

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 statement of cash flows, cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less.

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, 2018 and 2017.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

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, 2018 and 2017.

Pledges Receivable - Pledges receivable are stated at amounts pledged less a discount and an allowance for uncollectible accounts. The discount is calculated based on a present value formula using the applicable federal rate index, which approximates fair value. A discount of \$88,611 and \$84,884 was recorded for the years ended June 30, 2018 and 2017, respectively. The discount rate was 1.92% for June 30, 2018 and 2017. 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, 2018 and June 30, 2017.

Investments - The Organization reports investments in equity and bond/fixed income funds at their fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and change in net assets.

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:

	<u>Life</u>
Building and improvements	15 - 40 Years
Furniture and equipment	5 - 7 Years
Transportation equipment	5 Years

Property Held for Sale - Properties held for sale are reported at the lower of carrying value or fair value less selling cost. Impairment losses are recognized for any initial and subsequent adjustments to carrying value. The assets are not subject to depreciation while held for sale.

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

Certain Significant Estimates - The Organization calculated fair value of the property held for sale based on the selling price of the property and other similar properties. Management's estimates of the net present value of contributions receivable are based on collectability of the full value of the receivables and are discounted to present value, using a discount rate consistent with assets of similar term and risk.

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, 2018. 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, 2018 and 2017.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

ForKids Suffolk, L.L.C., ForKids Foundation, L.L.C., ForKids Foundation, 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.

Financial Statement Presentation - The Organization presents its consolidated financial statements in accordance with accounting standards for consolidated financial statements of nonprofit organizations. Under accounting standards, the Organization is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a consolidated statement of cash flows.

Advertising Costs - The Organization expenses advertising costs as incurred; however, they incurred no advertising costs for the years ended June 30, 2018 and 2017.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor.

Recognition of Donor Restrictions - All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and change in net assets as net assets released from restrictions.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities and change in net assets and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs, supporting services benefited, and fundraising.

Grant Income - Grant income is recognized in the year the grant is awarded. Cost reimbursement type grants are recognized as unrestricted revenue because time and purpose restrictions have been met. Many grants require the Organization to provide matching funds. Grants whose time and purpose restrictions have not been met are recognized as temporarily restricted.

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

New Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets (net assets without donor restrictions and net assets with donor restrictions).
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of net assets with donor restrictions and requires additional disclosures for underwater endowment funds.
- Requires all not-for-profit entities to provide expenses by both nature and function.
- Requires expansive disclosures, both qualitative and quantitative, of information about liquidity and the availability of resources.

This ASU is effective for annual reporting periods beginning after December 15, 2017. The ASU requires the provisions to be applied on a retrospective transaction approach and early adoption is permitted. The Organization is currently evaluating the impact of adopting ASU 2016-14.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date* (“ASU 2015-14”). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. The standard will be effective for non-public entities for annual reporting periods beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted, beginning after December 15, 2016. Organizations may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Organization is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For non-public companies, the standard will be effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual reporting periods beginning after December 15, 2020. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures. The Organization is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Restricted cash

Restricted cash consists of the following:

Donor	Restriction	June 30, 2018 Amount
Client escrow	Escrow account	\$ 267
Security deposits	Security deposit	7,817
Programs/services	Capital campaign and endowment	3,358,504
Total		\$ 3,366,588

Donor	Restriction	June 30, 2017 Amount
Client escrow	Escrow account	\$ 237
Security deposits	Security deposit	7,816
Programs/services	Capital campaign and endowment	706,569
Total		\$ 714,622

Note 3—Investments

Investments are as follows:

	Fair Value	Fair Value Measurements at June 30, 2018		
		Level 1	Level 2	Level 3
Marketable equity securities	\$ 11,008	\$ 11,008	\$ -	\$ -
Mutual funds	421,058	421,058	-	-
Total assets	\$ 432,066	\$ 432,066	\$ -	\$ -

	Fair Value	Fair Value Measurements at June 30, 2017		
		Level 1	Level 2	Level 3
Marketable equity securities	\$ 9,693	\$ 9,693	\$ -	\$ -
Mutual funds	46,873	46,873	-	-
Total assets	\$ 56,566	\$ 56,566	\$ -	\$ -

Presented on the consolidated statement of financial position as follows:

	June 30,	
	2018	2017
Current assets:		
United Way endowment fund	\$ 54,538	\$ 51,566
Marketable securities	377,528	5,000
Total	\$ 432,066	\$ 56,566

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 3—Investments (continued)

The United Way endowment fund is an affiliate account the Organization holds with the United Way of South Hampton Roads Foundation and contains equity and bond/fixed income fund investments. It is a pooled endowment fund with other institutions and foundations to achieve optimal investment returns and cost savings. Net realized/unrealized gains on investments of \$2,401 and \$3,929 are included in the consolidated statements of activities and change in net assets for the years ended June 30, 2018 and 2017, respectively.

Note 4—Donated services and property

These consolidated financial statements reflect donated professional services that can be reasonably valued. The Organization recorded no donated professional services for the years ended June 30, 2018 and 2017. 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 property of \$208,081 and \$250,164 which consisted of thrift store items, property, and various other goods for the years ended June 30, 2018 and 2017, respectively. The Organization received donated real property with a fair value of \$769,000 during year ended June 30, 2017. No similar donation of real property occurred during the year ended June 30, 2018. See discussion regarding the donation in Note 8. Additionally, it is the Organization's policy to immediately sell all stock donations upon receipt.

Note 5—Pledges receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges receivable consist of the following:

	2018	2017
Receivable in less than one year	\$ 1,969,561	\$ 967,975
Receivable in one to eight years	2,364,052	2,105,230
Total pledges receivable	4,333,613	3,073,205
Less unamortized discount	(88,611)	(84,884)
Net pledges receivable	<u>\$ 4,245,002</u>	<u>\$ 2,988,321</u>

As shown on the consolidated statement of financial position:

Current portion of pledges receivable	\$ 1,969,561	\$ 967,975
Long-term portion of pledges receivable	2,275,441	2,020,346
	<u>\$ 4,245,002</u>	<u>\$ 2,988,321</u>

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6—Paid time off accrual

Beginning October 1, 2008, the Organization no longer pays paid time off (“PTO”) balances upon separation from employment. All employees signed the transition policy allowing employees with eligible balances to elect to bank a portion of PTO for pay out upon separation from employment or elect to have the entire PTO balance converted with no payout upon separation from employment. The accrued liability as of June 30, 2018 and 2017 includes the value of only those employees who elected to bank a portion of their eligible PTO for payout upon separation.

Note 7—Property and equipment

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 663,195	\$ 482,191
Buildings and improvements	4,938,959	3,654,256
Furniture and equipment	604,685	567,594
Transportation equipment	270,594	244,852
Construction in progress	389,309	1,079,013
	<u>6,866,742</u>	<u>6,027,906</u>
Less allowance for depreciation	<u>(2,039,375)</u>	<u>(2,003,252)</u>
	<u>\$ 4,827,367</u>	<u>\$ 4,024,654</u>

Depreciation expense was \$149,166 and \$145,919 for the years ended June 30, 2018 and 2017, respectively.

Note 8—Property held for sale

In March 2017, the Organization received a donation of real property located in Norfolk, Virginia. The Organization classified the property as property held for sale and recorded at fair value based on the selling price of the property. The property was sold during the year ended June 30, 2018.

Property held for sale at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Real property held for sale	<u>\$ -</u>	<u>\$ 769,000</u>

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 9—Lease commitment

The Organization leases the premises it occupies for office space with lease payments of an escalating base rent (plus certain allocable direct costs) required under present commitment agreements for the building space. The lease expires February 28, 2019. Rental expense for the building was \$133,988 and \$139,017 for the years ended June 30, 2018 and 2017, respectively.

In addition, the Organization leases the premises it occupies for the Thrift Store with annual payments of \$61,566, for both 2018 and 2017. The executed lease agreement has two additional option years through 2020.

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, 2018 and 2017 was \$259,165 and \$296,434, respectively.

Future minimum lease payments under these lease agreements are:

2019	\$ 224,313
------	------------

The Organization leases office equipment under various lease agreements expiring in fiscal year 2020. Rental expense was \$35,400 for both 2018 and 2017. Equipment lease commitments are as follows:

2019	\$ 16,524
2020	\$ 15,147

Note 10—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, 2018 and 2017 was \$84,982 and \$88,442, respectively.

The following schedule provides an analysis of the Organization’s investment in property on operating leases and property held for lease by major classes as of June 30, 2018:

Building	\$ 385,185
Less accumulated depreciation	(218,362)
	<u>\$ 166,823</u>

Minimum future rentals are:

2019	\$ 15,006
2020	\$ 15,457
2021	\$ 2,589

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11—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, 2018 and 2017, the Organization incurred pension expense of \$88,009 and \$84,639, respectively, which is included in employee benefits in the consolidated statement of functional expenses.

Note 12—Support

The amount shown on the accompanying consolidated financial statements as being received from the United Way of South Hampton Roads is net of the Organization's proportionate share of federal fundraising costs of \$20,846 and \$20,936 for the years ended June 30, 2018 and 2017, respectively.

Note 13—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, 2018 and 2017, there was no outstanding balance.

Note 14—Long-term liabilities

Long-term liabilities at June 30 are summarized as follows:

	<u>2018</u>	<u>2017</u>
<i>Notes payable</i>		
TowneBank vehicle loan, monthly interest of 4%, due in full by August 10, 2018, secured by the vehicle. The loan was paid in full during the year ended June 30, 2018.	\$ -	\$ 10,237
Less current portion	-	(8,770)
Long-term portion	<u>\$ -</u>	<u>\$ 1,467</u>

Interest of \$250 and \$592 was paid during the years ended June 30, 2018 and 2017, respectively.

Note 15—Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Children services	\$ 475,000	\$ 331,166
Capital Campaign for new facilities	7,330,890	3,573,205
Fixed assets	435,306	435,306
Programs/services	<u>233,552</u>	<u>82,903</u>
	<u>\$ 8,474,748</u>	<u>\$ 4,422,580</u>

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 15—Temporarily restricted net assets (continued)

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:

	2018	2017
Children services	\$ 225,763	\$ 363,277
Capital Campaign for new facilities	1,543,547	1,303,984
Programs/services	3,722,418	3,701,012
	<u>\$ 5,491,728</u>	<u>\$ 5,368,273</u>

Note 16—Concentration of revenue

The Organization receives a significant amount of its support from HUD. If a significant reduction in the level of support was to occur, it would affect the Organization's future programs and activities.

Note 17—Concentration of credit risk

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. As of June 30, 2018, the Organization had \$1,811,607 which exceeded these insured amounts.

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.

Note 18—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.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 18—Fair value measurements (continued)

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 methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Marketable Equity Securities - Investments in marketable equity securities are valued based on quoted market prices (Level 1).

Mutual 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.

Property Held for Sale - Property held for sale is valued at the selling price of the property and other similar properties (Level 2).

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

Note 19—Funds held by others

The Organization is 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, 2018 and 2017 is \$50,949 and \$46,699, 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, 2018 and 2017 is \$1,115,149 and \$1,062,439, respectively.

Note 20—Related party transactions

The Organization has pledged receivables of \$1,018,658 and \$1,282,463 from members of the Organization's Board of Trustees at June 30, 2018 and 2017, respectively.

Note 21—Subsequent events

Management of the Organization has evaluated subsequent events December 3, 2018, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
ForKids, inc.
Norfolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ForKids, inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and have issued our report thereon dated December 3, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
December 3, 2018

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
ForKids, inc.
Norfolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited ForKids, inc. and Subsidiaries' (the "Organization") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
December 3, 2018

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Number	Expenditures
U.S. Department of Housing and Urban Development			
Pass-through from City of Norfolk			
Emergency Solutions Grant Program	14.231	22-000026293	\$ 142,474
CDBG - Norfolk	14.218	22-000026289	20,000
Supportive Housing Program			
SVHC - Hotline	14.235	VA0281L3F011500	147,673
Legacy (PSH)	14.235	VA0023L3F011508	488,505
Leap (Rapid Rehousing)	14.235	VA0246L3F011501	411,189
Elizabeth Place	14.235	VA0281L3F011500	104,013
Rapid Rehousing	14.235	VA0239L3F011502	203,082
Chesapeake Transitional	14.235	VA0077L3F011507	93,413
Pass-through from City of Virginia Beach			
CDBG - Virginia Beach	14.218		112,205
Pass-through from City of Hampton			
CoC - Hampton	14.267		65,682
Pass-through from City of Suffolk			
CDBG - Suffolk	14.218		14,700
Pass-through from City of Chesapeake			
CDBG - Chesapeake	14.218		102,563
U.S. Department of Health and Human Services			
Pass-through from Virginia Department of Housing and Community Development			
Emergency Shelter Grants Program - SVHC	14.231		141,463
Federal Emergency Management Agency			
Emergency Food and Shelter Program - Phase 32	97.024		32,507
U.S. Department of Veterans Affairs			
Supportive Services for Veterans Families	64.033		258,484
Total			<u>\$ 2,337,953</u>

Note A—Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of ForKids, inc. and Subsidiaries (the "Organization") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, activities and change in net assets, or cash flows of the Organization.

Note B—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance and/or OMB Circular A-122, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED SCHEDULE OF SUPPORT

YEAR ENDED JUNE 30, 2018

Federal Agencies:

Supportive Housing Program (SVHC/PSH Norfolk/GVPHC)	\$ 636,178
Supportive Housing Program (ESI/Leap/TIP/Morgan Place)	411,189
Supportive Housing Program (Elizabeth Place)	104,013
Supportive Housing Program (Rapid Rehousing)	203,082
Supportive Housing Program (Chesapeake Transitional)	93,413
Continuum of Care Program	65,682
Supportive Services for Veterans families	258,484
Community Development Block Grant (Norfolk)	102,563
Community Development Block Grant (Chesapeake)	20,000
Community Development Block Grant (Virginia Beach)	112,205
Community Development Block Grant (Suffolk)	14,700
Emergency Solutions Grant	283,937
Emergency Food and Shelter Program	<u>32,507</u>
Total Federal Agencies	<u>2,337,953</u>

Contributions:

Individuals, churches, businesses, and foundation grants	<u>7,420,523</u>
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Other Government Grants:

City of Suffolk	23,000
City of Chesapeake	5,000
City of Virginia Beach	99,958
County of Isle Wight	2,000
Human Services Grant (Chesapeake)	50,000
Human Services Grant (Norfolk)	53,127
Human Services Grant (State)	<u>452,914</u>
Total Other Government Grants	<u>685,999</u>

United Way

229,728

Contributed Property

208,081

Total Support

\$ 13,906,236

**FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2018

Section I - Summary of auditor's results

Consolidated Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Internal control over financial reporting:

- Material weakness(s) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(s) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Office of Management and Budget Circular Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.235	Supportive Housing Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial statement findings

None noted

Section III - Federal award findings and questioned costs

None noted

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

Findings - Financial statement audit

None noted

Findings and questioned costs - Major federal award programs audit

None noted