FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL AND COMPLIANCE REPORTS

JUNE 30, 2023

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

FORKIDS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1 – 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 21
SUPPLEMENTARY INFORMATION	
Consolidated Schedule of Support	22 – 23
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	24 – 25
Notes to the Schedule of Expenditures of Federal Awards	26
INDEPENDENT AUDITOR'S REPORT 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*	27 – 28
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	29 – 31
Schedule of Findings and Questioned Costs	32
Schedule of Prior Audit Findings	33

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ForKids, Inc. and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ForKids, Inc. and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as included in the table of contents and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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 the purpose 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 GAAS. 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 January 4, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Organization's 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.

PBMares, LLP

Norfolk, Virginia
January 4, 2024

CONSOLIDATED FINANCIAL STATEMENTS

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 5,137,216	$ 666,043	$ 5,803,259	$ 4,990,793
Grants receivable	959,791	-	959,791	1,012,709
Accounts receivable	-	-	-	234,440
Pledges receivable, net, current portion	390,472	439,801	830,273	491,087
Prepaid expenses	57,442	-	57,442	52,613
Total current assets	6,544,921	1,105,844	7,650,765	6,781,642
Property and Equipment, net	18,352,940	315,000	18,667,940	19,525,295
Noncurrent Assets				
Marketable securities	797,006	2,500,000	3,297,006	3,104,377
Pledges receivable, net, long-term portion	-	355,179	355,179	91,503
Right-of-use asset	48,585	-	48,585	-
Deposits	9,077	-	9,077	9,077
Total noncurrent assets	854,668	2,855,179	3,709,847	3,204,957
Total assets	$ 25,752,529	$ 4,276,023	$ 30,028,552	$ 29,511,894
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$ 98,010	$ -	$ 98,010	$ 71,057
Escrow liability	-	21,751	21,751	15,811
Lease liability, current portion	24,063	-	24,063	-
Accrued expenses	343,858	-	343,858	217,206
Total current liabilities	465,931	21,751	487,682	304,074
Lease Liability, long-term	25,166	-	25,166	-
Total liabilities	491,097	21,751	512,848	304,074
Net Assets	25,261,432	4,254,272	29,515,704	29,207,820
Total liabilities and net assets	$ 25,752,529	$ 4,276,023	$ 30,028,552	$ 29,511,894

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support				
Federal agencies	$ -	$ 3,477,406	$ 3,477,406	$ 3,494,556
Contributions	2,682,491	1,269,792	3,952,283	3,334,732
Capital campaign	-	36,023	36,023	506,000
Government grants	-	1,412,566	1,412,566	1,042,622
Donated goods and services	-	278,920	278,920	291,455
United Way	142,732	91,290	234,022	312,456
Total	2,825,223	6,565,997	9,391,220	8,981,821
Net assets released from restrictions:				
Satisfaction of restrictions	7,412,407	(7,412,407)	-	-
Total support	10,237,630	(846,410)	9,391,220	8,981,821
Revenue:				
Fundraising events (net of expenses of $194,919 and $263,278 for June 30, 2023 and 2022, respectively)	1,611,584	17,500	1,629,084	1,257,094
Interest and dividends	58,726	-	58,726	24,305
Rent and program fees	283,704	-	283,704	179,328
Realized/unrealized gain (loss) on marketable securities	221,896	-	221,896	(342,832)
Gain on sale of assets	441,901	-	441,901	264,964
Miscellaneous	107,027	-	107,027	476
Total revenue	2,724,838	17,500	2,742,338	1,383,335
Total support and revenue	12,962,468	(828,910)	12,133,558	10,365,156
Functional Expenses				
Program services	10,286,572	-	10,286,572	9,110,372
Management and general	1,080,924	-	1,080,924	457,446
Fundraising	458,178	-	458,178	624,099
Total functional expenses	11,825,674	-	11,825,674	10,191,917
Change in net assets	1,136,794	(828,910)	307,884	173,239
Net Assets, beginning of year	24,124,638	5,083,182	29,207,820	29,034,581
Net Assets, end of year	$ 25,261,432	$ 4,254,272	$ 29,515,704	$ 29,207,820

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Bad Debt (Recoveries)	$ 66,857	$ -	$ -	$ 66,857	$ (20,761)
Depreciation and Amortization	734,915	24,079	-	758,994	759,478
Donated Goods and Services	278,920	-	-	278,920	271,455
Employee Benefits	637,815	39,415	39,415	716,645	588,015
Food	144,591	65	961	145,617	92,229
Fundraising	-	-	31,215	31,215	20,236
Housing Assistance	2,009,052	-	-	2,009,052	1,621,685
Insurance	-	60,810	-	60,810	58,030
Inventory Write Off	-	-	-	-	60,003
Miscellaneous	-	8,919	-	8,919	198,830
Payroll Taxes	370,169	26,080	24,398	420,647	346,681
Postage	15	4,713	2,683	7,411	4,016
Printing and Publication	-	5,439	11,522	16,961	50,247
Professional Fees	236,681	210,723	258	447,662	366,304
Program Services	156,870	-	-	156,870	142,349
Rent	-	-	-	-	15,249
Repairs and Maintenance	267,079	117,701	-	384,780	313,562
Salaries	4,974,850	350,501	327,888	5,653,239	4,628,413
Security	695	1,666	-	2,361	2,098
Supplies	54,096	19,203	2,386	75,685	74,771
Taxes and Licenses	-	10,821	-	10,821	11,502
Technology	128,140	9,028	8,411	145,579	131,637
Telephone/Internet	45,560	6,782	6,344	58,686	64,330
Training	35,241	2,178	2,178	39,597	43,858
Travel/Employee Reimbursement	33,249	3,562	519	37,330	40,110
Utilities	87,416	179,239	-	266,655	279,227
Vehicle Maintenance	24,361	-	-	24,361	28,363
Total functional expenses	$ 10,286,572	$ 1,080,924	$ 458,178	$ 11,825,674	$ 10,191,917

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 307,884	$ 173,239
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	734,915	759,478
Amortization of right-of-use asset	24,079	-
Realized and unrealized (gain) loss on marketable securities	(221,896)	342,832
Gain on sale of assets	(441,901)	(264,964)
Contributed marketable securities	(116,786)	(530,316)
Contributions for long-term purposes	(290,000)	(377,045)
Provision for discount on pledges receivable	3,248	47,721
Bad debt (recoveries)	66,857	(20,761)
Inventory write off	-	60,003
Change in operating assets and liabilities:		
Grants receivable	52,918	713,433
Accounts receivable	167,583	226,144
Pledges receivable	(824,217)	259,920
Prepaid expenses	(4,829)	18,103
Deposits	-	4,383
Accounts payable	26,953	(172,816)
Escrow liability	5,940	5,740
Accrued expenses	126,652	(1,053,121)
Net cash provided by (used in) operating activities	(382,600)	191,973
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	682,148	630,846
Proceeds from sale of marketable securities	202,257	2,600
Purchases of marketable securities	(56,204)	(2,205,474)
Purchases of property and equipment	(117,697)	(65,808)
Net cash provided by (used in) investing activities	710,504	(1,637,836)
Cash Flows from Financing Activities		
Principal payments on lease liability	(23,545)	-
Collections on contributions restricted for long-term purposes	508,107	1,446,868
Net cash provided by financing activities	484,562	1,446,868
Increase in cash and cash equivalents	812,466	1,005
Cash and Cash Equivalents, beginning	4,990,793	4,989,788
Cash and Cash Equivalents, ending	$ 5,803,259	$ 4,990,793
Supplemental Cash Flow Disclosures:		
Cash paid for interest	$ 2,678	$ -

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, economic mobility, 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 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 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.

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, 2023 and 2022.

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, 2023 and 2022.

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. 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, 2023 and June 30, 2022.

Marketable securities: The Organization reports marketable securities, consisting of mutual and exchange funds, 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.

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, 2023. 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, 2023 and 2022. 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., 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.

Leases: Effective July 1, 2022, the Organization changed its method of accounting for leases due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), as amended. The Organization adopted the standard using a modified retrospective transition approach at the beginning of the period of adoption through a cumulative-effect adjustment, which included an evaluation of the Organization leasing contracts and activities. The adoption of this guidance resulted in the inclusion of right-of-use (ROU) assets, and finance lease liabilities on the statement of financial position, and adoption of the guidance resulted in the inclusion of a cumulative-effect adjustment to net assets in the statement of financial position for the year ended June 30, 2023.

As part of this adoption, the Organization has elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (1) whether existing contracts contain a lease, (2) the lease classification or (3) unamortized initial direct costs for existing leases.

Additionally, the Organization made accounting policy elections such as exclusion of inter-organization leases and short-term leases (leases with a term of 12 months or less and which do not include a purchase option that the Organization is reasonably certain to exercise) from the statement of financial position presentation, use of portfolio approach in determination of discount rate and accounting for non-lease components in a contract as part of a single lease component for all asset classes.

At contract inception, the Organization determines if a contract is or contains a lease and whether it is an operating lease or a finance lease. The Organization does not separate lease components for real estate leases. For operating leases that have a lease term greater than one year, the Organization initially recognizes operating lease liabilities and ROU assets at the lease commencement date, which is the date that the lessor makes an underlying asset available for use by the Organization. ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the present value of the Organization’s obligation to make lease payments, primarily escalating fixed payments, over the lease term. The discount rate used to determine the present value of the lease payments is generally the rate implicit in the lease agreement. If the discount rate implicit in the lease agreement is not readily determinable, the Organization uses the risk-free rate of return.

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

Leases (continued): The Organization's lease terms for each of its leases represents the noncancelable period for which the Organization has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease, if the Organization is reasonably certain to exercise that option; (ii) periods covered by an option to terminate the lease if the Organization is reasonably certain not to exercise that option; and (iii) periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor. The Organization recognizes lease expense on a straight-line basis over the lease term. See Note 7 for further detail on leases.

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, expenses, 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 $2,500,000 at June 30, 2023 and 2022. See further discussion at Note 12.

Revenue recognition: The Organization derives its revenue and support from federal agencies and government grants, contributions, donated goods and services, fundraising events, investment income, rent and program income, and other miscellaneous income sources.

Contributions, grants, investment income, and rental income are not subject to Accounting Standards Codification (ASC) 606. Contributions are recognized as revenue in accordance with Financial Accounting Standards Board (FASB) Topic 958 when a donor makes a contribution or promise to give that is unconditional. Donated goods and services are recorded at fair value at the date of the gift. Grant income is recognized in the year the grant is awarded. Cost reimbursement type grants are conditional contributions and recognized as revenue when conditions have been met. Many grants require the Organization to provide matching funds and are recorded as unrestricted revenue as the match requirements are met. Investment income is recognized when earned. Rent and related program income is recognized as revenue pursuant to FASB ASC 840 on a straight-line basis.

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

Advertising costs: The Organization expenses advertising costs as incurred. During the years ended June 30, 2023 and 2022, the Organization expensed advertising costs of $1,799 and $14,187, respectively.

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.

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, 2022, from which the summarized information was derived.

Note 2. Restricted Cash

Restricted cash at June 30 consisted of the following:

Restriction	**2023**	2022
Escrow account	**$ 267**	$ 267
Security deposit	**21,484**	15,544
Children services	**348,000**	-
Programs/services	**296,292**	-
Capital campaign and endowment	**-**	1,787,567
Total	**$ 666,043**	$ 1,803,378

Note 3. 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:

		2023		2022
Cash and cash equivalents	$	5,137,216	$	3,187,415
Grants receivable		959,791		1,012,709
Pledges receivable, net		390,472		-
Accounts receivable		-		58,115
Total financial assets available to meet general expenditures within one year	**$**	**6,487,479**	$	4,258,239

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 $516,207 and $500,138 as of June 30, 2023 and 2022, 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 line of credit, as discussed in more detail in Note 11. As of June 30, 2023 and 2022, $750,000 and $500,000 respectively, remained available on the Organization's line of credit.

Note 4. 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 $278,920 and $291,455, which consisted of property and various other goods for the years ended June 30, 2023 and 2022, respectively. In valuing donated goods and services, the Organization estimates the fair value on the basis of values that would be received for selling similar products in the United States. The Organization received donated stock with a fair value of $116,786 and $530,316 during the years ended June 30, 2023 and 2022, respectively. It is the Organization's policy to immediately sell all stock donations upon receipt.

Note 5. Pledges Receivable

Pledges receivable consisted of the following at June 30:

		2023		2022
Receivable in less than one year	$	**830,273**	$	491,087
Receivable in one to five years		**355,179**		94,751
Total pledges receivable		**1,185,452**		585,838
Less unamortized discount		**-**		(3,248)
Net pledges receivable	$	**1,185,452**	$	582,590
As shown on the consolidated statements of financial position:				
Current portion of pledges receivable	$	**830,273**	$	491,087
Long-term portion of pledges receivable, net		**355,179**		91,503
	$	**1,185,452**	$	582,590

Note 6. Property and Equipment

Property and equipment consisted of the following at June 30:

		2023		2022
Land	$	**748,740**	$	773,668
Buildings and Improvements		**18,520,335**		18,638,825
Furniture and Equipment		**2,062,213**		2,452,155
Transportation Equipment		**407,227**		331,221
Construction in Progress		**-**		20,000
		21,738,515		22,215,869
Less Accumulated Depreciation		**(3,070,575)**		(2,690,574)
	$	**18,667,940**	$	19,525,295

Depreciation expense was $734,915 and $759,478 for the years ended June 30, 2023 and 2022, respectively, and is included in depreciation and amortization expense on the consolidated statements of functional expenses.

Note 7. Leases

The Organization has a 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.

Note 7. Leases (Continued)

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, 2023 and 2022 was $430,286 and $312,867, respectively.

The Organization leases office equipment under a finance lease agreement with terms of three years. The Organization's finance lease generally does not contain any material restrictive covenants or residual value guarantees. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

The components of lease expense are as follows and are included in depreciation and amortization expense and miscellaneous expenses on the statement of functional expenses for the year ended June 30, 2023:

Finance lease cost—amortization of right-of-use assets	$	24,079
Finance lease cost—interest on lease liabilities		2,678
Total lease expense	$	26,757

The following is other supplemental information relating to the Organization's finance leases:

Other Supplemental information		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on finance leases	$	2,494
Financing cash outflows—payments on finance leases		21,051
Right-of-use assets obtained in exchange for new lease obligations:		70,096
Weighted-average remaining lease term:		2 years
Weighted-average discount rate:		4.49%

Future maturities on the Organization's finance leases are as follows:

Year ending June 30,		
2024	$	25,686
2025		25,686
Total lease payments		51,372
Less imputed interest		(2,143)
Total lease liabilities	$	49,229

Note 8. Lessor Arrangements

The Organization has leasing operations that consist principally of leasing buildings. The Organization's leases are classified as operating leases. Total lease income from unrelated parties for the years ended June 30, 2023 and 2022 was $105,248 and $158,320, respectively.

The Organization's investment in property held for lease as of June 30, 2023 consists of the following:

Building	$ 1,473,796
Less Accumulated Depreciation	(675,911)
	$ 797,885

Minimum future rentals are as follows:

Year Ending June 30,	Amount
2024	$ 203,091

Note 9. Retirement Plan

The Organization maintains a 401(k) retirement plan that allows employees that have 250 hours work and 90 days of employment to participate. The Organization will match 100% of the first 3% of an employee's contribution, plus 50% of the next 2%. During the years ended June 30, 2023 and 2022, the Organization incurred retirement plan expenses of $126,011 and $105,514, respectively, which is included in employee benefits in the consolidated statement of functional expenses.

Note 10. 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 $22,004 and $25,922 for the years ended June 30, 2023 and 2022, respectively.

Note 11. Line of Credit

The Organization has a line of credit with a limit of $750,000, 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%. In September 2022, the line of credit limit was increased from $500,000 to $750,000. At June 30, 2023 and 2022, there was no outstanding balance.

Note 12. 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, 2023 and 2022. 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.

Note 12. 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 30th. 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, 2023 and 2022, the Organization had the following endowment-related activities:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-Restricted Endowment Funds	**$ -**	**$ 2,500,000**	**$ 2,500,000**
Board-Designated Endowment Funds	**1,162,732**	**-**	**1,162,732**
Total funds as of June 30, 2023	**$ 1,162,732**	**$ 2,500,000**	**$ 3,662,732**
Balance as of June 30, 2022	**$ 977,869**	**$ 2,500,000**	**$ 3,477,869**
Net Increase in Market Value	**261,640**	**-**	**261,640**
Distributions	**(76,777)**	**-**	**(76,777)**
Balance as of June 30, 2023	**$ 1,162,732**	**$ 2,500,000**	**$ 3,662,732**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 2,500,000	$ 2,500,000
Board-Designated Endowment Funds	977,869	-	977,869
Total funds as of June 30, 2022	$ 977,869	$ 2,500,000	$ 3,477,869
Balance as of June 30, 2021	$ 850,931	$ 72,943	$ 923,874
Net Decrease in Market Value	(80,106)	-	(80,106)
Contributions	207,044	2,427,057	2,634,101
Balance as of June 30, 2022	$ 977,869	$ 2,500,000	$ 3,477,869

Note 13. Net Assets with Donor Restrictions

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

	2023	2022
Children Services	**$ 650,500**	$ 5,000
Capital Campaign	**231,980**	1,758,502
Endowment	**2,500,000**	2,500,000
Fixed Assets	**315,000**	315,000
Programs/Services	**556,792**	504,680
	$ 4,254,272	$ 5,083,182

Note 14. 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, 2023 and 2022, total support from the federal government totaled 29% and 34% 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.

Note 15. 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.

Note 15. 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 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 methodology 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 methodology 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.

The following table summarizes, by level within the fair value hierarchy, the assets measured at fair value on a recurring basis as of June 30, 2023 and 2022.

	Level 1	**Total at Fair Value at June 30, 2023**
Mutual and exchange funds	**$ 3,297,006**	**$ 3,297,006**

	Level 1	Total at Fair Value at June 30, 2022
Mutual and exchange funds	$ 3,104,377	$ 3,104,377

Note 16. 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, 2023 and 2022 is $71,229 and $74,682, 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, 2023 and 2022 is $1,233,863 and $1,356,232, respectively. These funds are not on the Organization's consolidated statements of financial position.

Note 17. Related Party Transactions

The Organization has pledged receivables of $138,435 and $93,512 from members of the Organization's Board of Directors at June 30, 2023 and 2022, respectively.

Note 18. Subsequent Events

The Organization has evaluated all events subsequent to June 30, 2023 through January 4, 2024, 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, 2023

Federal Agencies	
Continuum of Care Program (SVHC)	$ 147,673
Continuum of Care Program (PSH Norfolk)	644,123
Continuum of Care Program (Leap/TIP/RR)	857,059
Continuum of Care Program (Elizabeth Place)	113,459
Continuum of Care Program (Bridge)	56,221
Continuum of Care Program (GVPHC)	65,682
Supportive Services for Veterans families	12,500
21st Century Community Learning Centers Grant	123,198
Community Development Block Grant (Norfolk)	35,000
Community Development Block Grant (Chesapeake)	104,060
Community Development Block Grant (Chesapeake - CV)	11,623
Community Development Block Grant (Virginia Beach)	108,284
Community Development Block Grant (Virginia Beach - CV Capital)	250,000
Community Development Block Grant (Suffolk)	15,000
Community Development Block Grant (Portsmouth)	50,000
Emergency Solutions Grant (Norfolk)	191,797
Emergency Solutions Grant (VHSP - SVHC)	134,223
Emergency Solutions Grant (CHERP - SVHC)	239,905
Tenant Based Rental Assistance Program (Chesapeake)	107,032
Tenant Based Rental Assistance Program (Portsmouth)	210,567
Total federal agencies	3,477,406

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SUPPORT (Continued)
Year Ended June 30, 2023

Contributions	
Individuals, churches, businesses, and foundations grants	$ 3,988,306
Other Government Grants	
City of Suffolk	35,000
City of Chesapeake	45,000
City of Virginia Beach	88,879
VERP DHCD	258,844
Virginia Homeless Solutions Program (SVHC)	752,562
Virginia Homeless Solutions Program (Portsmouth)	54,804
Virginia Homeless Solutions Program (Peninsula)	32,203
Housing Trust Fund	103,259
Human Services Grant (Chesapeake)	30,000
Human Services Grant (Norfolk)	2,534
Other	9,481
Total other government grants	1,412,566
United Way	234,022
Donated Goods and Services	278,920
Total support	$ 9,391,220

COMPLIANCE SECTION

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Community Development Block Grant Entitlement Grants Cluster:				
Pass-through from the City of Norfolk:				
CDBG - Norfolk	14.218	47-000029260	$ -	$ 35,000
Pass-through from City of Virginia Beach:				
CDBG - Virginia Beach	14.218	P161526	-	108,284
CDBG-CV Capital - Virginia Beach	14.218	Not Provided	-	250,000
Pass-through from City of Portsmouth:				
CDBG - Portsmouth	14.218	CDBG FY22-23CPD	-	50,000
Pass-through from City of Suffolk:				
CDBG - Suffolk	14.218	Not Provided	-	15,000
Pass-through from City of Chesapeake:				
CDBG - Chesapeake	14.218	3813050523	-	104,060
CDBG-CV - Chesapeake	14.218	3813081520	-	11,623
Total Community Development Block Grant Entitlement Grants Cluster				573,967
Continuum of Care Program:				
SVHC - Hotline	14.267		-	147,673
Legacy (PSH)	14.267		-	644,123
Leap (Rapid Rehousing)	14.267		-	857,059
Elizabeth Place	14.267		-	113,459
Bridge	14.267		-	56,221
GVPHC	14.267		-	65,682
Total Continuum of Care Program				1,884,217
Pass-through from Virginia Department of Housing and Community Development:				
Emergency Solutions Grant Program - SVHC	14.231	22-VHSP-030	-	134,223
Emergency Response Program (CHERP) SVHC	14.231	20-CHERP-030	-	239,905
Pass-through from the City of Norfolk:				
Emergency Solutions Grant Program	14.231	25-000028801	-	73,228
Emergency Solutions Grant Program	14.231	47-000029250	-	118,569
Pass-through from City of Chesapeake:				
Chesapeake TBRA	14.239	381994521	-	76,217
Chesapeake TBRA	14.239	381994522	-	30,815
Pass-through from City of Portsmouth:				
Portsmouth TBRA	14.239	FY21-CPD#13	-	12,652
Portsmouth TBRA	14.239	FY22-CPD#13	-	161,623
Portsmouth TBRA	14.239	FY23-CPD#13	-	36,292
Total Department of Housing and Urban Development				3,341,708

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF EDUCATION				
Pass-through payments from Commonwealth of Virginia Department of Education:				
21st Century Community Learning Centers Grant	84.287C	S287C210047	$ -	$ 123,198
Total Department of Education				123,198
DEPARTMENT OF THE TREASURY				
Pass-through from City of Suffok:				
COVID-19 State and Local Fiscal Recovery Funds	21.027	Not Provided	-	12,500
Total Department of the Treasury				12,500
Total Expenditures of Federal Awards				$ 3,477,406

See Notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of ForKids, Inc. and Subsidiaries (Organization) under programs of the federal government for the year ended June 30, 2023. 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 or cash flows of the Organization.

Note 2. 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 principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Pass-Through State Agencies

Expenditures of federal awards for funds passed through state agencies are based on information provided by the respective agencies. Pass-through entity identifying numbers are presented where available.

PBMares
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT 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*

To the Board of Directors
ForKids, Inc. and Subsidiaries

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 (*Government Auditing Standards)*, the consolidated financial statements of ForKids, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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), and have issued our report thereon dated January 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 financial statements. 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.

PBMares, LLP

Norfolk, Virginia
January 4, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
ForKids, Inc. and Subsidiaries

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited ForKids, Inc. and Subsidiaries' (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization 's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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.

PBMares, LLP

Norfolk, Virginia
January 4, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_______Yes	X No
Significant deficiency(ies) identified?	_______Yes	X None Reported
Noncompliance material to financial statements noted?	_______Yes	X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_______Yes	X No
Significant deficiency(ies) identified?	_______Yes	X None Reported

Type of auditor's report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_______Yes	X No

Identification of major federal program:

Federal Assistance Listing Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program

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

Auditee qualified as low-risk auditee?	_______Yes	X No

SECTION II. FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023

<u>Identifying Number: 2022-001</u>

<u>Audit Finding:</u>

2022-001: Significant Deficiency in Internal Control over Statement of Financial Position Account Reconciliations

Criteria: Effective internal control over financial reporting requires the appropriate use of accounting sub-ledgers, as well as periodic reconciliations of asset and liability accounts.

Condition: Accounts payable sub-ledgers were not properly utilized by the Organization, resulting in the Organization being unable to easily reconcile accounts at year end. Additionally, fixed assets, accrued expenses and net assets were not properly reconciled at year end.

Context: There were various factors leading to the inability to complete timely reconciliation of accounts at the end of the year. Management was and is still currently addressing reporting matters in a new accounting system that was deployed during the prior year. Additionally, the prior year audit was completed three days prior to the submission of current year information to the auditors, and there was not sufficient time to reconcile balances and make all necessary corrections.

Effect or Potential Effect: The effect of errors identified are outlined above and have since been corrected by management.

Recommendation: Adjustments to accounts payable should be made using the appropriate sub-ledgers. Asset and liability accounts should be reconciled to the trial balance periodically.

View of Responsible Official: Management agrees with the finding and the recommendation.

Corrective Action Taken or Planned: ForKids completed a consulting arrangement with Dean Dorton in December 2022 to address Sage Intacct software configuration and full use of the functionality within the system, including sub-ledgers. Management has improved month-end close out procedures and sub-ledger review processes in accordance with guidance from the consultant and other accounting experts.