FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

As of and for the Year Ended June 30, 2019
(With Comparative Information for 2018)

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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(A NONPROFIT ORGANIZATION)
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Cherry Bekaert LLP
CPAs & Advisors

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, 2019, 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, 2019, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, ForKids, inc. and Subsidiaries adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. The Organization also adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* retrospectively to all periods presented. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the ForKids, inc. and Subsidiaries' June 30, 2018 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 consolidated 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 November 11, 2019, 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 11, 2019

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

JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Comparative 2018 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,525,839	$ 7,754,798	$ 9,280,637	$ 4,504,776
United Way endowment fund	-	-	-	54,538
Inventory	61,851	-	61,851	37,354
Marketable securities	477,984	-	477,984	377,528
Grants receivable	585,019	389,225	974,244	1,080,340
Accounts receivable	53,775	-	53,775	51,394
Pledges receivable, net, current portion	-	5,534,387	5,534,387	1,966,886
Prepaid expenses	43,182	-	43,182	69,731
Total Current Assets	2,747,650	13,678,410	16,426,060	8,142,547
Property and equipment, net	4,808,452	435,306	5,243,758	4,827,367
Noncurrent Assets:				
Pledges receivable, net, long-term portion	-	1,648,145	1,648,145	2,275,441
Deposit	13,460	-	13,460	13,460
Total Noncurrent Assets	13,460	1,648,145	1,661,605	2,288,901
Total Assets	$ 7,569,562	$ 15,761,861	$ 23,331,423	$ 15,258,815
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable, trade	$ 280,997	$ -	$ 280,997	$ 377,422
Escrow liability	-	8,085	8,085	8,084
Sales tax payable	1,204	-	1,204	254
Accrued wages and related liabilities	171,120	-	171,120	192,824
Total Current Liabilities	453,321	8,085	461,406	578,584
Net Assets	7,116,241	15,753,776	22,870,017	14,680,231
Total Liabilities and Net Assets	$ 7,569,562	$ 15,761,861	$ 23,331,423	$ 15,258,815

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Comparative 2018 Total
Support:				
Federal agencies	$ -	$ 2,510,437	$ 2,510,437	$ 2,337,953
Contributions	1,126,100	781,567	1,907,667	2,182,252
Capital campaign	-	8,385,994	8,385,994	5,238,271
Government grants	-	775,502	775,502	685,999
Contributed property and equipment	312,713	-	312,713	208,081
United Way fund	-	194,885	194,885	229,728
Total	1,438,813	12,648,385	14,087,198	10,882,284
Net assets released from restrictions:				
Satisfaction of restrictions	5,369,357	(5,369,357)	-	-
Total Support	6,808,170	7,279,028	14,087,198	10,882,284
Revenue:				
Fundraising (net of expenses of $185,376 and $211,384 for June 30, 2019 and 2018, respectively)	1,045,022	-	1,045,022	991,738
Interest and dividends	62,456	-	62,456	4,374
Rent and program fees	109,431	-	109,431	131,558
Thrift store sales	274,032	-	274,032	223,695
Realized/unrealized gain on investments	48,435	-	48,435	8,762
Gain (loss) on sale of assets	200,257	-	200,257	(327,600)
Miscellaneous	27,646	-	27,646	22,279
Total Revenue	1,767,279	-	1,767,279	1,054,806
Total Support and Revenue	8,575,449	7,279,028	15,854,477	11,937,090
Functional Expenses:				
Program services	6,394,292	-	6,394,292	5,742,876
Management and general	507,131	-	507,131	453,250
Fundraising	763,268	-	763,268	742,676
Total Functional Expenses	7,664,691	-	7,664,691	6,938,802
Change in net assets	910,758	7,279,028	8,189,786	4,998,288
Net assets, beginning of year	6,205,483	8,474,748	14,680,231	9,681,943
Net assets, end of year	$ 7,116,241	$ 15,753,776	$ 22,870,017	$ 14,680,231

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

YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Program Services	Management and General	Fundraising	2019 Total	Comparative 2018 Total
Bad debt	$ -	$ -	$ 18,818	$ 18,818	$ 4,264
Childcare	1,614	-	-	1,614	350
Children's services	80,063	-	-	80,063	72,644
Depreciation	186,044	-	-	186,044	149,166
Employee benefits	367,785	29,600	55,733	453,118	505,740
Equipment	64,476	-	-	64,476	-
Housing assistance	1,413,439	-	-	1,413,439	1,194,074
Insurance	96,988	-	-	96,988	102,429
Interest	-	-	-	-	2,075
Miscellaneous	-	4,902	-	4,902	5,501
Payroll taxes	207,713	28,297	38,709	274,719	262,227
Postage	3,189	-	-	3,189	4,602
Printing and publications	20,296	2,833	4,919	28,048	35,365
Professional fees	84,276	11,075	28,140	123,491	135,014
Program services	99,435	-	-	99,435	65,299
Rent	174,684	15,825	22,831	213,340	219,586
Repairs and maintenance	107,068	-	-	107,068	110,596
Salaries	2,721,396	383,538	542,427	3,647,361	3,394,011
Security	11,056	-	-	11,056	11,285
Supplies	18,956	-	6,879	25,835	17,768
Taxes and licenses	32,185	3,552	5,125	40,862	8,675
Technology	127,848	14,687	21,189	163,724	74,730
Telephone	67,939	9,240	13,331	90,510	86,260
Training	22,352	3,020	4,357	29,729	23,424
Travel/employee reimbursements	48,961	562	810	50,333	42,635
Utilities	128,472	-	-	128,472	137,177
Value of goods sold	288,216	-	-	288,216	254,889
Vehicle maintenance	19,841	-	-	19,841	19,016
Total Functional Expenses	$ 6,394,292	$ 507,131	$ 763,268	$ 7,664,691	$ 6,938,802

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

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 8,189,786	$ 4,998,288
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	186,044	149,166
Realized/unrealized gain on investments	(48,435)	(8,762)
(Gain) loss on sale of assets	(200,257)	327,600
Contributed property and equipment	(312,713)	(208,081)
Contributed investments	(2,926,210)	(445,489)
Provision for discount on pledges receivable	(56,967)	3,727
Bad debt	18,818	4,264
Change in operating assets and liabilities:		
Inventory	288,216	254,889
Grants receivable	106,096	(257,795)
Accounts receivable	(21,199)	18,306
Pledges receivable	42,972	(814,919)
Prepaid expenses	26,549	(42,706)
Accounts payable, trade	(96,425)	310,811
Escrow liability and deposits	1	31
Sales tax payable	950	(998)
Accrued wages and related liabilities	(21,704)	23,567
Net cash flows from operating activities	5,175,522	4,311,899
Cash flows from investing activities:		
Proceeds from sale of assets	293,390	945,941
Proceeds from sale of investments	66,043	4,552
Purchase of investments	(63,526)	(371,290)
Purchase of property and equipment	(695,568)	(1,456,420)
Net cash flows from investing activities	(399,661)	(877,217)
Cash flows from financing activities:		
Repayment of long-term liabilities	-	(10,237)
Net increase in cash and cash equivalents	4,775,861	3,424,445
Cash and cash equivalents, beginning of year	4,504,776	1,080,331
Cash and cash equivalents, end of year	$ 9,280,637	$ 4,504,776
Cash and cash equivalents reflected on the statements of financial position:		
Unrestricted	$ 1,525,839	$ 1,138,188
Restricted	7,754,798	3,366,588
	$ 9,280,637	$ 4,504,776
Supplemental cash flow information:		
Cash paid for interest	$ -	$ 2,075

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

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

Nature of Operations – ForKids, inc. ("ForKids") is a nonprofit Virginia corporation with the mission of breaking the cycle of homelessness and poverty for families and children. Established in May 1988 as an 8-family emergency shelter in Norfolk, ForKids now serves fourteen cities and counties in Southeastern Virginia, delivering individualized client-focused solutions that produce lasting results. The team provides crisis response, housing stabilization and education services to approximately 225 families and 450 children daily and assists over 63,000 individuals annually. Through a combination of federal, state and local government funding, and community contributions from private foundations and corporate and individual donors, the following programs and services are designed to achieve stability for families and a lifetime of success for children.

Regional Housing Crisis Hotline – Connects individuals and families experiencing a housing crisis in 14 localities throughout Hampton Roads to appropriate programs and services. Recognizing the unique needs of households in crisis, ForKids maintains a database of over 400 community resources and up-to-date eligibility requirements. For the year ended June 30, 2019, the Hotline managed nearly 54,000 calls from almost 27,000 households with a live call response of 81%. For the year ended June 30, 2018 the hotline received 45,500 calls from nearly 24,000 callers.

Homelessness Prevention – Individuals and families experiencing a temporary financial shortfall and at imminent risk of housing instability receive financial assistance to maintain their current housing or move to a new unit. Case management works toward a long-term housing stabilization strategy. Homelessness Prevention diverted 207 individuals in 63 households from homelessness for the year ended June 30, 2019.

Emergency Shelter and Services – Having a safe place to live means families can focus on other priorities like physical and mental health, economic stability through employment, and long-term goals that move them toward self-sufficiency. Family Case Managers coordinate the team of specialists who are essential to helping families locate permanent housing as quickly as possible and creating the support network necessary to maintain housing long term. For the year ended June 30, 2019, 163 families with 309 children received the critical resources they needed to recover from homelessness, and 95% exited to appropriate housing in the community. For the year ended June 30, 2018, 179 families with 357 children received emergency shelter and services during the year, and 99% exited 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, 2019, 40 families with 92 children lived in PSH during the year, and 12 of the families who exited went to other permanent housing. For the year ended June 30, 2018, 39 families with 95 children lived in PSH during the year, and 100% of families who exited went to other permanent housing.

Rapid Re-housing and Stabilization Case Management – Combining diverse funding sources, ForKids helps families locate housing that fits their needs and coordinates ongoing services that lead to long-term stability and economic mobility. Financial assistance with rent and other housing-related challenges allows families to pay down debt, secure child care and develop a financial management plan prior to exiting the program. For the year ended June 30, 2019, 237 households with 519 children received services and established realistic goals for the future. 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.

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

Support Services for Veteran Families – As a sub-grantee of Virginia Beach Community Development Corporation, ForKids provides rapid re-housing and homelessness prevention services, including case management, to veteran families in Norfolk, Chesapeake, and Western Tidewater. For the year ended June 30, 2019, 25 families with 32 children received these services, and 94% of families remained permanently housed at program exit. For the year ended June 30, 2019, 34 families with 54 children received these services, and 86% of families remained permanently housed at program exit.

Tenant Based Rental Assistance – Chesapeake families facing housing instability due to an unavoidable financial challenge may receive assistance with a security deposit and/or a rental subsidy to obtain or maintain housing. Case management helps families regain stability within six months. For the year ended June 30, 2019, 11 households including 29 children overcame adversity and avoided homelessness.

Children's Education Services – Education is critical for children experiencing homelessness and their families to close the door on intergenerational poverty. Afterschool programs help students improve their core skills and thrive in the classroom. Enrichment activities reinforce learning and enhance social emotional competencies. Summer programs teach life skills and prepare pre-kindergartners for school. Family engagement activities involve parents in their children's academic programming. Students are monitored for continued success. ForKids successfully completed the first year of a three-year 21st Century Community Learning Centers grant from the Virginia Department of Education, and was awarded continued funding. For the year ended June 30, 2019, 409 children received education services with 159 of these children also receiving individualized remediation, and 95% of students were promoted to the next grade at the end of the school year. For the year ended June 30, 2018, 411 children received education services with 133 of these children also receiving individualized remediation.

Aspire, a Mobility Mentoring®-informed partnership – The pilot initiative provides economic mobility coaching to women with children to help families acquire the resources, skills, and sustained behavior changes necessary to attain and preserve their financial independence. Community partnerships create employment pathways to provide education, employment and other resources for participating families. For the year ended June 30, 2019, 12 households were working toward self-sufficiency.

Aftercare – Program exit is not the end for families-ForKids' doors are always open. Through the generosity of the community, the Back-to-School Drive fills backpacks with school supplies so students can start school with the tools they need for success, and the Holiday Shop gives parents the opportunity to choose from hundreds of gifts to surprise their children during the holidays. Afterschool education programs remain available for students who have graduated from housing programs. The Good Mojo Thrift Store is a resource for clothing and household supplies for families as they continue their journey to self-sufficiency. For the year ended June 30, 2019, over 1,900 children and their families received aftercare support.

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.

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

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, 2019 and 2018.

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, 2019 and 2018.

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 $31,644 and $88,611 was recorded for the years ended June 30, 2019 and 2018, respectively. The discount rate was 1.92% for June 30, 2019 and 2018. 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, 2019 and June 30, 2018.

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.

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

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:

	Life
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.

Certain Significant Estimates –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, 2019. 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, 2019 and 2018.

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.

Reclassification – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements and have no effect on net assets.

Financial Statement Presentation – The Organization presents its 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.

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

Adopted Accounting Pronouncement – 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*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requiring reporting of expenses by function and nature. The standard is effective for all fiscal years beginning after December 15, 2017, and was applied on retrospective basis to the financial statements for the year ended June 30, 2019 except for the statement of functional expenses and disclosure of liquidity, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

Effective January 2018, the Company implemented FASB ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires the statement of cash flows to present the change of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts. The standards will be effective for non-public entities for annual reporting periods beginning after December 31, 2018. Early adoption is permitted. The Organization has elected to early adopt this standard.

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

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

> *Net Assets Without Donor Restrictions* – Net assets that are free of donor-imposed stipulations and are fully available to utilize for any program or supporting services. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors' stipulations results in the release of such restrictions. The Board of Directors (the "Board") may designate certain amounts to be utilized or invested to meet specific objectives of the Organization.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Organization. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from donor restrictions. The Organization held net assets with donor restrictions to be held in perpetuity of $55,100 and $0 at June 30, 2019 and 2018, respectively. See further discussion at Note 14.

Advertising Costs – The Organization expenses advertising costs as incurred; however, they incurred no advertising costs for the years ended June 30, 2019 and 2018.

Contributions – Contributions received are recorded as with or without donor restriction depending on the existence and/or nature of any donor restrictions. All contributions received are considered to be without donor restriction unless specifically restricted by the donor.

Recognition of Donor Restrictions – All donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities and change in net assets as net assets released from restrictions.

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

Functional Allocation of Expenses – Program expenses include those costs that can be specifically identified with programs, as well as portions of certain indirect costs that, in management's estimation, are attributable to programs. Administrative 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, administrative, 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.

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 with donor restriction.

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 consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Significant New Accounting Standards Not Yet Adopted – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, for all non-SEC filers, including not-for-profit entities. The Organization has not yet selected a transition method and is currently evaluating the effect the standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides additional guidance to help determine whether a contribution is conditional, and better distinguish between a donor-imposed condition and a donor-imposed restriction. The ASU is effective for fiscal years beginning after December 15, 2018. The ASU requires the provisions to be applied on a modified prospective basis and early adoption is permitted. The Organization is currently evaluating the effect the ASU will have on the consolidated financial statements.

Note 2—Restricted cash

Restricted cash consists of the following:

Donor	Restriction	June 30, 2019 Amount
Client escrow	Escrow account	$ 267
Security deposits	Security deposit	7,818
Programs/services	Capital campaign and endowment	7,746,713
Total		$ 7,754,798

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

Note 3—Investments

Investments are as follows:

		Fair Value Measurements at June 30, 2019		
	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 477,984	$ 477,984	$ -	$ -
Total assets	$ 477,984	$ 477,984	$ -	$ -

		Fair Value Measurements at June 30, 2018		
	Fair Value	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	$ -	$ -

Presented on the consolidated statement of financial position as follows:

	June 30,	
	2019	2018
Current assets:		
United Way endowment fund	$ -	$ 54,538
Marketable securities	477,984	377,528
Total	$ 477,984	$ 432,066

The United Way endowment fund was an affiliate account the Organization held with the United Way of South Hampton Roads Foundation and contained equity and bond/fixed income fund investments. It was a pooled endowment fund with other institutions and foundations to achieve optimal investment returns and cost savings. Net realized/unrealized gain (loss) on investments of $(1,693) and $2,401 are included in the consolidated statements of activities and change in net assets for the years ended June 30, 2019 and 2018, respectively. The United Way endowment fund was closed during the year ended June 30, 2019, and was transferred to marketable securities.

Note 4—Liquidity and availability of funds

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

Cash and equivalents	$ 1,525,839
Grants receivable	585,019
Accounts receivable	53,775
Investments	477,984
Prepaids	43,182
Total financial assets available to meet general expenditures within one year	$ 2,685,799

Included in pledges receivable are $311,053 of donor restricted contributions that the Organization expects to be released from restriction within one year.

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 $206,072 as of June 30, 2019. This fund established by the Board of Directors may be drawn upon, if necessary, to meet unexpected liquidity needs. Additionally, the Organization maintains a $500,000 line of credit, as discussed in more detail in Note 13. As of June 30, 2019, $500,000 remained available on the Organization's line of credit.

Note 5—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, 2019 and 2018. 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 $312,713 and $208,081 which consisted of thrift store items, property, and various other goods for the years ended June 30, 2019 and 2018, respectively. The Organization received donated stock with a fair value of $2,926,210 and $445,489 during the years ended June 30, 2019 and 2018, respectively. It is the Organization's policy to immediately sell all stock donations upon receipt.

Note 6—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:

	2019	2018
Receivable in less than one year	$ 5,534,387	$ 1,969,561
Receivable in one to six years	1,679,789	2,364,052
Total pledges receivable	7,214,176	4,333,613
Less unamortized discount	(31,644)	(88,611)
Net pledges receivable	$ 7,182,532	$ 4,245,002
As shown on the consolidated statement of financial position:		
Current portion of pledges receivable	$ 5,534,387	$ 1,969,561
Long-term portion of pledges receivable	1,648,145	2,275,441
	$ 7,182,532	$ 4,245,002

Note 7—Property and equipment

Property and equipment consists of the following at June 30:

	2019	2018
Land	$ 641,695	$ 663,195
Buildings and improvements	4,975,970	4,938,959
Furniture and equipment	599,256	604,685
Transportation equipment	277,385	270,594
Construction in progress	896,754	389,309
	7,391,060	6,866,742
Less allowance for depreciation	(2,147,302)	(2,039,375)
	$ 5,243,758	$ 4,827,367

Depreciation expense was $186,044 and $149,166 for the years ended June 30, 2019 and 2018, respectively.

Note 8—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, 2019 and 2018 includes the value of only those employees who elected to bank a portion of their eligible PTO for payout upon separation. Total accrued vacation for the Organization was $9,359 and $9,359 for the years ended June 30, 2019 and 2018, respectively.

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, 2020. Rental expense for the building was $138,012 and $133,988 for the years ended June 30, 2019 and 2018, respectively.

In addition, the Organization leases the premises it occupies for the Thrift Store with annual payments of $61,566, for both 2019 and 2018. The executed lease agreement has one additional option year 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, 2019 and 2018 was $225,399 and $259,165, respectively.

Future minimum lease payments under these lease agreements are:

2020	$	155,395

The Organization leases office equipment under various lease agreements expiring in fiscal year 2020. Rental expense was $35,400 for both 2019 and 2018. Equipment lease commitments are as follows:

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, 2019 and 2018 was $73,207 and $84,982, 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, 2019:

Building	$	280,431
Less accumulated depreciation		(172,213)
	$	108,218

Minimum future rentals are:

2020	$	35,362
2021	$	3,389

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, 2019 and 2018, the Organization incurred pension expenses of $93,906 and $88,009, 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 $25,698 and $20,846 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, there was no outstanding balance.

Note 14—Endowment

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

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

Note 14—Endowment (continued)

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
(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, 2019 and 2018. 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.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy – The annual spending rate shall be 4% of an eight quarter (two year) moving average of the market value of the Endowment as determined each September 20th. The spending rate will be reviewed annually with respect to investment performance, and will be changed only 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.

Note 14—Endowment (continued)

For the years ended June 30, 2019 and 2018, the Organization had the following endowment-related activities:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 55,100	$ 55,100
Board-designated endowment funds	606,392	-	606,392
Total Funds, June 30, 2019	$ 606,392	$ 55,100	$ 661,492
Balance as of June 30, 2018	$ -	$ -	$ -
Net increase in market value	38,436	-	38,436
Contributions	567,956	55,100	623,056
Balance as of June 30, 2019	$ 606,392	$ 55,100	$ 661,492

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ -	$ -
Board-designated endowment funds	-	-	-
Total Funds, June 30, 2018	$ -	$ -	$ -
Balance as of June 30, 2017	$ -	$ -	$ -
Net increase in market value	-	-	-
Contributions	-	-	-
Balance as of June 30, 2018	$ -	$ -	$ -

Note 15—Net assets with donor restrictions

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

	2019	2018
Children services	$ 315,000	$ 475,000
Capital Campaign for new facilities	14,819,601	7,330,890
Fixed assets	435,306	435,306
Programs/services	183,869	233,552
	$ 15,753,776	$ 8,474,748

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:

	2019	2018
Children services	$ 245,354	$ 225,763
Capital Campaign for new facilities	879,984	1,543,547
Programs/services	4,244,019	3,722,418
	$ 5,369,357	$ 5,491,728

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, 2019, the Organization had $1,802,030 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.

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.

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, 2019 and 2018 is $52,174 and $50,949, 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, 2019 and 2018 is $1,079,066 and $1,115,149, respectively.

Note 20—Related party transactions

The Organization has pledged receivables of $639,716 and $1,018,658 from members of the Organization's Board of Directors at June 30, 2019 and 2018, respectively.

Note 21—Subsequent events

Management of the Organization has evaluated subsequent events through November 11, 2019, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued. Subsequent to year-end the Organization started construction for their new headquarters in South Norfolk. The Organization executed a $13.8M contract with Hourigan Construction Corporation to complete the construction by December 2020.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated 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, 2019, 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 November 11, 2019.

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 11, 2019

Cherry Bekaert LLP
CPAs & Advisors

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, 2019. 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.

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 the Organization's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the 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 the major federal program for the year ended June 30, 2019.

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 11, 2019

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

YEAR ENDED JUNE 30, 2019

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	$ 123,967
CDBG - Norfolk	14.218	22-000026289	17,122
Supportive Housing Program			
SVHC - Hotline	14.235	VA0281L3F011702	147,673
Legacy (PSH)	14.235	VA0023L3F011710	517,016
Leap (Rapid Rehousing)	14.235	VA0246L3F011703	412,632
Elizabeth Place	14.235	VA0263L3F011803	106,709
Rapid Rehousing	14.235	VA0239L3F011704	234,501
Bridge	14.235	VA0330L3F011700	86,571
GVPHC	14.235	VA0283L3F051702	65,682
Pass-through from City of Virginia Beach			
CDBG - Virginia Beach	14.218		112,205
Pass-through from City of Portsmouth			
CDBG - Portsmouth	14.218		17,000
Pass-through from City of Suffolk			
CDBG - Suffolk	14.218		17,000
Pass-through from City of Chesapeake			
CDBG - Chesapeake	14.218		105,927
Chesapeake TBRA	14.239		61,748
U.S. Department of Education			
Pass-through from Commonwealth of Virginia Department of Education			
21st Century Community Learning Centers Grant	84.287C		66,578
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		215,304
Federal Emergency Management Agency			
Emergency Food and Shelter Program - Phase 32	97.024		33,131
U.S. Department of Veterans Affairs			
Supportive Services for Veterans Families	64.033		169,671
Total			$ 2,510,437

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, 2019. 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, 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, 2019

Federal Agencies:	
Supportive Housing Program (SVHC/PSH Norfolk)	$ 147,673
Supportive Housing Program (Legacy/PSH)	517,016
Supportive Housing Program (ESI/Leap/TIP/Morgan Place)	412,632
Supportive Housing Program (Elizabeth Place)	106,709
Supportive Housing Program (Rapid Rehousing)	234,501
Supportive Housing Program (Bridge)	86,571
Supportive Housing Program (GVPHC)	65,682
Supportive Services for Veterans families	169,671
21st Century Community Learning Centers Grant	66,578
Community Development Block Grant (Norfolk)	17,122
Community Development Block Grant (Chesapeake)	105,927
Community Development Block Grant (Virginia Beach)	112,205
Community Development Block Grant (Suffolk)	17,000
Community Development Block Grant (Portsmouth)	17,000
Tenant-Based Rental Assistance (Chesapeake)	61,748
Emergency Solutions Grant	339,271
Emergency Food and Shelter Program	33,131
Total Federal Agencies	2,510,437
Contributions:	
Individuals, churches, businesses, and foundation grants	10,293,661
Other Government Grants:	
City of Suffolk	30,000
City of Chesapeake	47,000
City of Virginia Beach	99,958
County of Isle Wight	4,000
Housing Trust Fund	13,255
Human Services Grant (Norfolk)	41,299
Human Services Grant (State)	539,990
Total Other Government Grants	775,502
United Way	194,885
Contributed Property	312,713
Total Support	$ 14,087,198

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

YEAR ENDED JUNE 30, 2019

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	X no
• Reportable condition(s) identified that are not considered to be material weaknesses?	__ yes	X none reported
Noncompliance material to financial statements noted?	__ yes	X no

Federal Awards

Internal control over major programs:

• Material weakness(s) identified?	__ yes	X no
• Reportable condition(s) identified that are not considered to be material weaknesses?	__ yes	X 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	X no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
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?	X yes	__ no

Section II – Consolidated 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, 2019

Findings – Consolidated financial statement audit

None noted

Findings and questioned costs – Major federal award programs audit

None noted