FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2020

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

FORKIDS, INC. AND SUBSIDIARIES

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ForKids, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ForKids, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and 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.

Management's Responsibility for the 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, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Other auditors previously audited ForKids, Inc. and Subsidiaries' 2019 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated November 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Previous Auditors

The financial statements of the Organization, as of and for the year ended June 30, 2019, were audited by other auditors, whose report, dated November 11, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2021, 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 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

Newport News, Virginia
February 15, 2021

CONSOLIDATED FINANCIAL STATEMENTS

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,402,159	$ 8,124,878	$ 11,527,037	$ 9,280,637
Inventory	60,003	-	60,003	61,851
Marketable securities	2,112,695	-	2,112,695	477,984
Grants receivable	887,953	444,621	1,332,574	974,244
Accounts receivable	9,663	-	9,663	53,775
Pledges receivable, net, current portion	-	1,024,053	1,024,053	5,534,387
Prepaid expenses	84,013	-	84,013	43,182
Total current assets	6,556,486	9,593,552	16,150,038	16,426,060
Property and Equipment, net	11,503,461	397,166	11,900,627	5,243,758
Noncurrent Assets				
Pledges receivable, net, long-term portion	-	1,504,493	1,504,493	1,648,145
Deposits	13,460	-	13,460	13,460
Total noncurrent assets	13,460	1,504,493	1,517,953	1,661,605
Total assets	$ 18,073,407	$ 11,495,211	$ 29,568,618	$ 23,331,423
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable, trade	$ 698,398	$ -	$ 698,398	$ 280,997
Refundable advances (Paycheck Protection Program)	855,700	-	855,700	-
Escrow liability	-	8,185	8,185	8,085
Sales tax payable	5	-	5	1,204
Accrued expenses	512,841	-	512,841	171,120
Total current liabilities	2,066,944	8,185	2,075,129	461,406
Total liabilities	2,066,944	8,185	2,075,129	461,406
Net Assets	16,006,463	11,487,026	27,493,489	22,870,017
Total liabilities and net assets	$ 18,073,407	$ 11,495,211	$ 29,568,618	$ 23,331,423

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support				
Federal agencies	$ -	$ 2,601,471	$ 2,601,471	$ 2,510,437
Contributions	1,246,503	1,082,621	2,329,124	1,907,667
Capital campaign	-	3,712,035	3,712,035	8,334,634
Government grants	-	1,821,695	1,821,695	775,502
Contributed property and equipment	196,451	-	196,451	312,713
United Way	-	297,107	297,107	194,885
Total	1,442,954	9,514,929	10,957,883	14,035,838
Net assets released from restrictions:				
Satisfaction of restrictions	13,781,679	(13,781,679)	-	-
Total support	15,224,633	(4,266,750)	10,957,883	14,035,838
Revenue:				
Fundraising (net of expenses of $110,754 and $185,376 for June 30, 2020 and 2019, respectively)	882,161	-	882,161	1,045,022
Interest and dividends	170,724	-	170,724	113,816
Rent and program fees	141,065	-	141,065	109,431
Thrift store sales	173,169	-	173,169	274,032
Realized/unrealized gain on investments	22,582	-	22,582	48,435
Gain on sale of assets	4,182	-	4,182	200,257
Miscellaneous	13,026	-	13,026	27,646
Total revenue	1,406,909	-	1,406,909	1,818,639
Total support and revenue	16,631,542	(4,266,750)	12,364,792	15,854,477
Functional Expenses				
Program services	6,403,631	-	6,403,631	6,394,292
Management and general	605,224	-	605,224	507,131
Fundraising	732,465	-	732,465	763,268
Total functional expenses	7,741,320	-	7,741,320	7,664,691
Change in net assets	8,890,222	(4,266,750)	4,623,472	8,189,786
Net Assets, beginning of year	7,116,241	15,753,776	22,870,017	14,680,231
Net Assets, end of year	$ 16,006,463	$ 11,487,026	$ 27,493,489	$ 22,870,017

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Bad debt	$ -	$ -	$ 33,584	$ 33,584	$ 18,818
Childcare	690	-	-	690	1,614
Children's services	69,885	-	-	69,885	80,063
Depreciation	197,922	-	-	197,922	186,044
Employee benefits	382,192	44,969	56,737	483,898	453,118
Furniture and equipment	7,542	-	-	7,542	64,476
Housing assistance	1,546,607	-	-	1,546,607	1,413,439
Insurance	121,225	-	-	121,225	96,988
Miscellaneous	-	4,478	-	4,478	4,902
Payroll taxes	214,125	30,123	36,547	280,795	274,719
Postage	3,352	-	-	3,352	3,189
Printing and publication	20,174	3,306	12,544	36,024	28,048
Professional fees	83,099	12,707	27,108	122,914	123,491
Program services	54,643	-	-	54,643	99,435
Rent	181,881	19,679	22,060	223,620	213,340
Repairs and maintenance	110,381	-	-	110,381	107,068
Salaries	2,805,683	463,464	510,410	3,779,557	3,647,361
Security	7,552	-	-	7,552	11,056
Supplies	14,730	-	3,771	18,501	25,835
Taxes and licenses	2,741	78	88	2,907	40,862
Technology	107,767	13,446	15,072	136,285	163,724
Telephone/internet	61,785	9,660	10,829	82,274	90,510
Training	20,343	3,314	3,715	27,372	29,729
Travel/employee reimbursement	38,474	-	-	38,474	50,333
Utilities	133,730	-	-	133,730	128,472
Value of goods sold	198,299	-	-	198,299	288,216
Vehicle maintenance	18,809	-	-	18,809	19,841
Total functional expenses	$ 6,403,631	$ 605,224	$ 732,465	$ 7,741,320	$ 7,664,691

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ 4,623,472	$ 8,189,786
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	197,922	186,044
Realized and unrealized gain on investments	(22,582)	(48,435)
Gain on sale of assets	(4,182)	(200,257)
Contributed property and equipment	(196,451)	(312,713)
Contributed investments	(3,040,208)	(2,926,210)
Contributions for long-term purposes	(1,898,100)	(6,241,351)
Provision for discount on pledges receivable	50,760	(56,967)
Bad debt	33,584	18,818
Change in operating assets and liabilities:		
Inventory	198,299	288,216
Grants receivable	(358,330)	106,096
Accounts receivable	44,112	(21,199)
Pledges receivable	(1,954,313)	831,373
Prepaid expenses	(40,831)	26,549
Accounts payable, trade	(173,862)	(96,425)
Escrow liability	100	1
Sales tax payable	(1,199)	950
Accrued expenses	26,457	(21,704)
Refundable advance	855,700	-
Net cash used in operating activities	(1,659,652)	(277,428)
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	-	293,390
Proceeds from sale of marketable securities	1,531,745	66,043
Purchase of marketable securities	(103,666)	(63,526)
Purchase of property and equipment	(5,944,082)	(695,568)
Net cash used in investing activities	(4,516,003)	(399,661)
Cash Flows From Financing Activities		
Collections on contributions restricted for long-term purposes	8,422,055	5,452,950
Net cash provided by financing activities	8,422,055	5,452,950
Increase in cash and cash equivalents	2,246,400	4,775,861
Cash and Cash Equivalents, beginning	9,280,637	4,504,776
Cash and Cash Equivalents, ending	$ 11,527,037	$ 9,280,637
Cash and cash equivalents reflected on the statements of financial position:		
Unrestricted	$ 3,402,159	$ 1,525,839
Restricted	8,124,878	7,754,798
	$ 11,527,037	$ 9,280,637
Supplemental Non-Cash Flow Activities:		
Accrued construction in progress	$ 906,527	$ -

See Notes to Consolidated Financial 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. Our service delivery model has evolved strategically to foster strong families and secure the futures of the children we serve. Providing housing and education services to approximately 290 families and 580 children daily, ForKids combats the complex challenges of homelessness to affect lasting change and generational stability. Through a combination of federal, state and local government funding, and community contributions from private foundations and corporate and individual donors, the following critical services will connect 85,000 people to essential resources in the coming year:

Housing Crisis Hotline – A critical access point in the region for families experiencing or at risk of homelessness. The Hotline connects individuals and families experiencing a housing crisis in 14 localities throughout Southeastern Virginia to any one of over 400 public and private resources in the community. For the year ended June 30, 2020, the Hotline managed 55,314 calls from over 27,000 households with a live call response of 89%. 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%.

Homelessness Prevention – Individuals and families experiencing a temporary financial shortfall and at imminent risk of housing instability receive financial assistance coupled with case management to work toward a long-term housing stabilization strategy. Every effort is made to keep people in their current housing and avoid a shelter stay. Homelessness Prevention diverted 211 individuals in 57 households from homelessness for the year ended June 30, 2020 and 207 individuals in 63 households from homelessness for the year ended June 30, 2019.

Emergency Shelter – Families in crisis find a safe place to live, and trauma informed care support services help them work toward stability while they search for permanent housing. The ForKids team works with families to develop a housing plan that includes goals toward employment, physical and mental health, education, transportation and childcare. For the year ended June 30, 2020, 137 families with 286 children received the critical resources they needed to exit homelessness, and 96% moved to appropriate housing in the community. 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.

Supportive Housing – Families with children that have a family member with a disability and are unable to afford the cost of housing without long-term support benefit from rental subsidies. Combined with services such as access to medical and mental health care and educational programming, families work to achieve economic stability. For the year ended June 30, 2020, 38 families with 88 children maintained housing, and 4 families were able to move onto permanent housing For the year ended June 30, 2019, 40 families with 92 children maintained housing and 12 families were able to move on to permanent housing.

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

Rapid Re-Housing and Stabilization Case Management – ForKids helps families locate housing that fits their needs while case management helps them set and achieve long-term goals. Assistance with rent and other housing-related challenges allows families to pay down debt, secure reliable childcare and transportation, explore education and training options and plan for a secure financial future. For the year ended June 30, 2020, 213 households with 509 children obtained housing stabilization services and established realistic goals for the future. For the year ended June 30, 2019, 237 households with 519 children obtained housing stabilization services and established realistic goals for the future.

Support Services for Veteran Families – As a sub-grantee of Virginia Beach Community Development Corporation, veterans and their families benefit from outreach, housing search and case management services to end or prevent homelessness. Financial assistance with housing or employment-related needs is provided through associated grants. For the year ended June 30, 2020, 34 families with 32 children received these services and 100% of families remained permanently housed at program exit. 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.

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, 2020, 23 households including 52 children overcame adversity and avoided homelessness. For the year ended June 30, 2019, 11 households including 29 children overcame adversity and avoided homelessness.

Children's Education Services – The education team at ForKids ensures every student has the best chance to not just succeed in school, but to excel. Academic programs measurably close achievement gaps while enrichment activities reinforce learning and enhance social emotional competencies. Summer programs teach life skills and service learning to students and prepare pre-kindergartners for school. Family engagement enhances parent involvement in their children's education. All school-age children are monitored for continued success. ForKids successfully completed the second 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, 2020, 423 children received education services and 94% of students were promoted to the next grade at the end of the school year. For the year ended June 30, 2019, 409 children received education services and 95% of students were promoted to the next grade at the end of the school year.

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, 2020, nearly 2,000 children and their families received aftercare support and for the year ended June 30, 2019, over 1,900 children and their families received aftercare support.

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

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, 2020, 33 households were working toward self-sufficiency and for the year ended June 30, 2019, 12 households were working toward self-sufficiency.

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

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

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

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

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

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

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

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

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

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

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, 2020 and 2019.

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

Grants receivable: Grants receivable consist of federal, state, and private grants. The Organization determines the need for an allowance for doubtful accounts based on historical data and management's opinion of the collectability of receivables. An allowance was not deemed necessary at June 30, 2020 and 2019.

Pledges receivable: Pledges are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional pledges to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional pledges receivable that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. Pledges receivable are stated at amounts pledged less a discount and an allowance for uncollectible accounts. A discount of $82,404 and $31,644 was recorded for the years ended June 30, 2020 and 2019, respectively. The discount rate was 1.92% for June 30, 2020 and 2019. 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, 2020 and June 30, 2019.

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

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

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

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, 2020. 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, 2020 and 2019. 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.

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

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

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

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 the previously reported change in net assets.

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.

Adopted accounting pronouncement: During the year ended June 30, 2020, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions received and Contributions Made*, which clarifies and improves guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction would be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The Organization’s management determined that the adoption of this guidance did not result in any changes to existing revenue recognition policies.

During the year ended June 30, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization’s management determined that the adoption of this guidance did not result in any changes to existing revenue recognition policies.

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

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

Classification of net assets (continued): 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 $58,959 and $55,100 at June 30, 2020 and 2019, respectively. See further discussion at Note 14.

Advertising costs: The Organization expenses advertising costs as incurred. During the years ended June 30, 2020 and 2019, the Organization expensed advertising costs of $8,804 and $0, 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.

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

Refundable advances: The Organization received a loan through the Paycheck Protection Program (PPP) during the year ended June 30, 2020. The Organization recognized the funds as a refundable advance on the consolidated statements of financial position using guidance from ASU 2018-08. The Organization will recognize revenue once formal notice of forgiveness has been received.

Prior year summarized information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's audited consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

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

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

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

Note 2. Restricted Cash

Restricted cash consists of the following:

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

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

Note 3. Marketable Securities

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

	2020		2019	
	Cost	**Value**	Cost	Value
Current assets:				
Marketable securities	$ 2,057,275	**$ 2,112,695**	$ 448,551	$ 477,984
Total	$ 2,057,275	**$ 2,112,695**	$ 448,551	$ 477,984

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:

	2020	2019
Cash and cash equivalents	**$ 3,402,159**	$ 1,525,839
Grants receivable	**887,953**	585,019
Accounts receivable	**9,663**	53,775
Marketable securities	**2,112,695**	477,984
Prepaids	**84,013**	43,182
Total financial assets available to meet general expenditures within one year	**$ 6,496,483**	$ 2,685,799

Included in pledges receivable are $239,250 and $311,053 of donor restricted contributions that the Organization expects to be released from restriction within one year for the year ended June 30, 2020 and 2019, respectively.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers general expenditures to be all program services, management and general, and fundraising costs presented in the Statement of Functional Expenses incurred in the ordinary course of the advancement of the Organization's mission. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was $209,296 and $206,072 as of June 30, 2020 and 2019, respectively. This fund established by the Board of Directors may be drawn upon, if necessary, to meet unexpected liquidity needs. Additionally, the Organization maintains a $500,000 line of credit, as discussed in more detail in Note 12. As of June 30, 2020 and 2019, $500,000 remained available on the Organization's line of credit.

Note 5. Donated Services and Property

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 $196,451 and $312,713, which consisted of thrift store items, property, and various other goods for the years ended June 30, 2020 and 2019, respectively. The Organization received donated stock with a fair value of $3,040,208 and $2,926,210 during the years ended June 30, 2020 and 2019, respectively. It is the Organization's policy to immediately sell all stock donations upon receipt.

Note 6. Pledges Receivable

Pledges receivable consist of the following:

		2020		2019
Receivable in less than one year	**$**	**1,024,053**	$	5,534,387
Receivable in one to five years		**1,586,897**		1,679,789
Total pledges receivable		**2,610,950**		7,214,176
Less unamortized discount		**(82,404)**		(31,644)
Net pledges receivable	**$**	**2,528,546**	$	7,182,532

As shown on the consolidated statement of financial position:

Current portion of pledges receivable	**$**	**1,024,053**	$	5,534,387
Long-term portion of pledges receivable, net		**1,504,493**		1,648,145
	$	**2,528,546**	$	7,182,532

Note 7. Property and Equipment

Property and equipment consists of the following at June 30:

		2020		2019
Land	**$**	**641,695**	$	641,695
Buildings and improvements		**4,979,130**		4,975,970
Furniture and equipment		**607,497**		599,256
Transportation equipment		**334,076**		277,385
Construction in progress		**7,657,735**		896,754
		14,220,133		7,391,060
Less accumlated depreciation		**(2,319,506)**		(2,147,302)
	$	**11,900,627**	$	5,243,758

Depreciation expense was $197,922 and $186,044 for the years ended June 30, 2020 and 2019, respectively.

Note 8. Lease Commitment

The Organization leases office space with lease payments of an escalating base rent (plus certain allocable direct costs) required under present commitment agreements. The lease expires March 1, 2021. Rental expense for the building was $150,822 and $138,012 for the years ended June 30, 2020 and 2019, respectively.

In addition, the Organization leases the premises it occupies for the Thrift Store with annual payments of $61,566, for both 2020 and 2019. 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, 2020 and 2019 was $225,224 and $225,399, respectively.

Future minimum lease payments under these lease agreements are:

Year	Amount
2021	$ 136,533

The Organization leases office equipment under various lease agreements that expired in fiscal year 2020. Rental expense was $26,696 and $35,400 for June 30, 2020 and 2019, respectively.

Note 9. Lessor Arrangements

The Organization has leasing operations that consist principally of leasing buildings. The Organization's leases are classified as operating leases. Total rental income from unrelated parties for the years ended June 30, 2020 and 2019 was $103,411 and $73,207, respectively.

The following schedule provides an analysis of the Organization's investment in property on operating leases and property held for lease as of June 30, 2020:

Building	$ 280,431
Less accumulated depreciation	(179,224)
	$ 101,207

Minimum future rentals are as follows:

Year	Amount
2021	$ 16,314

Note 10. Pension Plan

The Organization maintains a Simple IRA retirement plan that allows employees making more than $5,000 to participate. The Organization will provide a dollar-for-dollar match up to 3% of each participant's annual salary. During the years ended June 30, 2020 and 2019, the Organization incurred pension expenses of $87,621 and $93,906, respectively, which is included in employee benefits in the consolidated statement of functional expenses.

Note 11. United Way

The amount shown on the accompanying consolidated statements of activities as being received from the United Way of South Hampton Roads is net of the Organization's proportionate share of federal fundraising costs of $29,066 and $25,698 for the years ended June 30, 2020 and 2019, respectively.

Note 12. Line of Credit

The Organization has a line of credit with a limit of $500,000, which is due on demand. The amount available is secured by a deed of trust and accounts receivable. Interest is payable on the line at an annual rate equal to the *Wall Street Journal* prime rate with a floor of 4.0%. At June 30, 2020 and 2019, there was no outstanding balance.

Note 13. Risk and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law to provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic. Under the CARES Act, the Organization applied for a Payroll Protection Program (PPP) loan that is administered by the Small Business Administration, and received $855,700 during the year ended June 30, 2020. The PPP loan has a 1.0% rate of interest and a seven-month deferral of principal and interest payments; thereafter, monthly principal and interest payments are due over 17 consecutive months, with a final payment in May 2022. The loan can be prepaid without penalty at any time. The Organization used the full amount of the PPP funds for payroll and other qualified expenses and expects the loan to be forgiven when the submission process is available during the next fiscal year. At June 30, 2020, the PPP loan was recognized as a refundable advance of $855,700 on the consolidated statements of financial position.

Note 14. Endowment

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

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

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

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(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, 2020 and 2019. 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 14. Endowment (Continued)

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

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

For the years ended June 30, 2020 and 2019, the Organization had the following endowment-related activities:

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	**$ -**	**$ 58,959**	**$ 58,959**
Board-designated endowment funds	**653,279**	**-**	**653,279**
Total funds as of June 30, 2020	**$ 653,279**	**$ 58,959**	**$ 712,238**
Balance as of June 30, 2019	**$ 606,392**	**$ 55,100**	**$ 661,492**
Net increase in market value	**46,887**	**-**	**46,887**
Contributions	**-**	**3,859**	**3,859**
Balance as of June 30, 2020	**$ 653,279**	**$ 58,959**	**$ 712,238**

	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 as of 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

Note 15. Net Assets with Donor Restrictions

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

	2020	2019
Children services	**$ 150,000**	$ 315,000
Capital Campaign for new facilities	**9,646,030**	14,764,501
Endowment	**58,959**	55,100
Fixed assets	**397,166**	435,306
Programs/services	**1,234,871**	183,869
	$ 11,487,026	$ 15,753,776

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:

	2020	2019
Children services	**$ 349,404**	$ 245,354
Capital Campaign for new facilities	**6,087,482**	879,984
Fixed Assets	**38,140**	-
Programs/services	**7,306,653**	4,244,019
	$ 13,781,679	$ 5,369,357

Note 16. Concentrations

The Organization receives a significant amount of its support from the federal government, both directly and indirectly via pass-through funds from state and local governments. If a significant reduction in the level of support was to occur, it would affect the Organization's future programs and activities. During the years ended June 30, 2020 and 2019, total support from the federal government totaled 24% and 18% 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 17. Fair Value Measurements

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

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

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies 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 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 18. Funds Held By Others

The Organization is currently the designated recipient of income from two funds maintained at the Hampton Roads Community Foundation ("HRCF"). The ForKids, Inc. endowment is an organizational fund held by HRCF of which the Organization may request annual distributions of 5% of asset value based on a trailing 12-quarter average asset value. The value of this fund as of June 30, 2020 and 2019 is $50,095 and $52,174, 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, 2020 and 2019 is $988,494 and $1,079,066, respectively. These funds are not on the Organization's consolidated statements of financial position.

Note 19. Related Party Transactions

The Organization has pledged receivables of $709,452 and $639,716 from members of the Organization's Board of Directors at June 30, 2020 and 2019, respectively.

Note 20. Subsequent Events

The Organization has evaluated all events subsequent to June 30, 2020 through February 15, 2021, which is the date these consolidated financial statements were available to be issued. Management has determined that, except as disclosed below, there are no subsequent events that are required to be disclosed pursuant to the FASB ASC.

Subsequent to June 30, 2020, the Organization acquired the assets and programs of another nonprofit organization with a similar organizational mission. Assets acquired approximated $90,000 consisting of cash and art supplies.

Subsequent to June 30, 2020, the Organization was awarded a Rent and Mortgage Relief Program (RMRP) grant from the Virginia Department of Housing and Community Development. RMRP is designed to support and ensure housing stability across the Commonwealth of Virginia during the Coronavirus pandemic. The Organization is providing assistance to Virginia Beach, Norfolk, Chesapeake, Suffolk, and Western Tidewater households. The total award was approximately $5,800,000 at the time the financial statements were issued.

SUPPLEMENTARY INFORMATION

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SUPPORT
Year Ended June 30, 2020

Federal Agencies		
Supportive Housing Program (SVHC/PSH Norfolk)	$	147,673
Supportive Housing Program (Legacy/PSH)		511,909
Supportive Housing Program (ESI/Leap/TIP/Morgan Place)		439,896
Supportive Housing Program (Elizabeth Place)		106,968
Supportive Housing Program (Rapid Rehousing)		73,973
Supportive Housing Program (Bridge)		56,485
Supportive Housing Program (GVPHC)		65,682
Supportive Services for Veterans families		219,721
21st Century Community Learning Centers Grant		84,114
Community Development Block Grant (Norfolk)		17,122
Community Development Block Grant (Chesapeake)		105,927
Community Development Block Grant (Virginia Beach)		84,958
Community Development Block Grant (Suffolk)		16,500
Community Development Block Grant (Portsmouth)		35,000
Tenant-Based Rental Assistance (Chesapeake)		173,754
Emergency Solutions Grant		411,166
Emergency Food and Shelter Program		50,623
Total federal agencies	$	2,601,471
Contributions		
Individuals, churches, businesses, and foundations grants	$	6,041,159
Other Government Grants		
City of Suffolk	$	31,500
City of Virginia Beach		112,205
County of Isle of Wight		5,000
Housing Trust Fund		72,687
Human Services Grant (Chesapeake)		117,863
Human Services Grant (Norfolk)		27,781
Human Services Grant (State)		1,454,659
Total other government grants	$	1,821,695
United Way	$	297,107
Contributed Property	$	196,451
Total support	$	10,957,883

COMPLIANCE SECTION

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA 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	22-000026289	$ -	$ 17,122
Pass-through From City of Virginia Beach				
CDBG - Virginia Beach	14.218		-	84,958
Pass-through from City of Portsmouth				
CDBG - Portsmouth	14.218		-	35,000
Pass-through from City of Suffolk				
CDBG - Suffolk	14.218		-	16,500
Pass-through from City of Chesapeake				
CDBG - Chesapeake	14.218		-	105,927
Total Community Development Block Grant Entitlement Grants Cluster			-	259,507
Pass-through from Virginia Department of Housing and Community Development			-	
Emergency Shelter Grants Program - SVHC	14.231			193,614
Pass-through from the City of Norfolk				
Emergency Solutions Grant Program	14.231	22-000026293	-	217,552
			-	411,166
Supportive Housing Program				
SVHC - Hotline	14.235	VA0281L3F011702	-	147,673
Legacy (PSH)	14.235	VA0023L3F011710	-	511,908
Leap (Rapid Rehousing)	14.235	VA0246L3F011703	-	439,896
Elizabeth Place	14.235	VA0263L3F011803	-	106,968
Rapid Rehousing	14.235	VA0239L3F011704	-	73,973
Bridge	14.235	VA0330L3F011700	-	56,486
GVPHC	14.235	VA0283L3F051702	-	65,682
Total Supportive Housing Program			-	1,402,586
Pass-through from City of Chesapeake				
Chesapeake TBRA	14.239		-	173,754
Total Department of Housing and Urban Development			-	2,247,013
DEPARTMENT OF EDUCATION				
Pass-through payments from Commonwealth of Virginia Department of Education				
21st Century Community Learning Centers Grant	84.287C		-	84,114
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Pass-through from United Way				
Emergency Food and Shelter Program - Phase 32	97.024		-	50,623
DEPARTMENT OF VETERANS AFFAIRS				
Pass-through from Virginia Beach Community Development Corporation				
Supportive Services for Veterans Families	64.033		-	219,721
			$ -	$ 2,601,471

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Note 1. 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, 2020. 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

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, the consolidated financial statements of ForKids, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and have issued our report thereon dated February 15, 2021.

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.

PBMares, LLP

Newport News, Virginia
February 15, 2021

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR THE MAJOR 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

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 the Organization's major federal programs for the year ended June 30, 2020. 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 federal statutes, regulations and the terms and conditions of its federal awards 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, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

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

Newport News, Virginia
February 15, 2021

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes __√__ No
- Significant deficiency(ies) identified? _____ Yes __√__ None Reported

Noncompliance material to financial statements noted? _____ Yes __√__ No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? _____ Yes __√__ No
- Significant deficiency(ies) identified? _____ Yes __√__ None Reported

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

Any audit findings disclosed that are required to be
to be reported in accordance with section
2 CFR 200.516(a)? _____ Yes __√__ No

Identification of major program:

CFDA Number	Name of Federal Program
14.235	Supportive Housing Program

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

Auditee qualified as low-risk auditee? __√__ Yes _____ No

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FORKIDS, INC. AND SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.