ForKids, Inc. and Subsidiaries

CONSOLIDATED FINANCIAL AND COMPLIANCE REPORTS

JUNE 30, 2024

ASSURANCE, TAX & ADVISORY SERVICES

FORKIDS, INC. AND SUBSIDIARIES

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FINANCIAL SECTION

PBMares
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ForKids, Inc. and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of ForKids, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2024, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PBMares, LLP

Norfolk, Virginia
January 7, 2025

CONSOLIDATED FINANCIAL STATEMENTS

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 (With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,914,808	$ 181,814	$ 4,096,622	$ 5,803,259
Grants receivable	988,506	-	988,506	959,791
Pledges receivable, net, current portion	525,484	504,520	1,030,004	830,273
Prepaid expenses	93,603	-	93,603	57,442
Total current assets	5,522,401	686,334	6,208,735	7,650,765
Property and Equipment, net	17,715,890	315,000	18,030,890	18,667,940
Noncurrent Assets				
Marketable securities	2,639,506	2,378,236	5,017,742	3,297,006
Pledges receivable, net, long-term portion	-	212,080	212,080	355,179
Right-of-use asset	24,079	-	24,079	48,585
Deposits	9,077	-	9,077	9,077
Total noncurrent assets	2,672,662	2,590,316	5,262,978	3,709,847
Total assets	$ 25,910,953	$ 3,591,650	$ 29,502,603	$ 30,028,552
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$ 52,578	$ -	$ 52,578	$ 98,010
Escrow liability	-	21,751	21,751	21,751
Lease liability, current portion	25,166	-	25,166	24,063
Accrued expenses	254,756	-	254,756	343,858
Total current liabilities	332,500	21,751	354,251	487,682
Lease Liability, long-term portion	-	-	-	25,166
Total liabilities	332,500	21,751	354,251	512,848
Net Assets	25,578,453	3,569,899	29,148,352	29,515,704
Total liabilities and net assets	$ 25,910,953	$ 3,591,650	$ 29,502,603	$ 30,028,552

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2024 (With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support				
Federal agencies	$ -	$ 3,888,090	$ 3,888,090	$ 3,477,406
Contributions	2,100,338	1,581,114	3,681,452	3,952,283
Capital campaign	-	29,907	29,907	36,023
Government grants	-	1,520,830	1,520,830	1,412,566
Donated goods and services	-	362,310	362,310	278,920
United Way	273,502	617,878	891,380	234,022
Total	2,373,840	8,000,129	10,373,969	9,391,220
Net assets released from restrictions:				
Satisfaction of restrictions	8,702,302	(8,702,302)	-	-
Total support	11,076,142	(702,173)	10,373,969	9,391,220
Revenue:				
Fundraising events (net of expenses of $140,182 and $194,919 for June 30, 2024 and 2023, respectively)	1,686,601	17,800	1,704,401	1,629,084
Interest and dividends	180,908	-	180,908	58,726
Rent and program fees	298,712	-	298,712	283,704
Realized/unrealized gain on marketable securities	382,807	-	382,807	221,896
Gain on sale of assets	-	-	-	441,901
Miscellaneous	186,101	-	186,101	107,027
Total revenue	2,735,129	17,800	2,752,929	2,742,338
Total support and revenue	13,811,271	(684,373)	13,126,898	12,133,558
Functional Expenses				
Program services	11,834,479	-	11,834,479	10,286,572
Management and general	1,215,180	-	1,215,180	1,080,924
Fundraising	444,591	-	444,591	458,178
Total functional expenses	13,494,250	-	13,494,250	11,825,674
Change in net assets	317,021	(684,373)	(367,352)	307,884
Net Assets, beginning of year	25,261,432	4,254,272	29,515,704	29,207,820
Net Assets, end of year	$ 25,578,453	$ 3,569,899	$ 29,148,352	$ 29,515,704

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024 (With Comparative Totals for 2023)

	Program Services	Management and General	Fundraising	2024 Total	2023 Total
Bad Debt	$ 39,038	$ -	$ -	$ 39,038	$ 66,857
Depreciation and Amortization	774,985	-	-	774,985	758,994
Donated Goods and Services	362,310	-	-	362,310	278,920
Employee Benefits	629,229	35,752	50,052	715,033	716,645
Food	141,833	-	1,404	143,237	145,617
Fundraising	-	-	16,954	16,954	31,215
Housing Assistance	2,889,571	-	-	2,889,571	2,009,052
Insurance	-	68,201	-	68,201	60,810
Miscellaneous	216	82,209	520	82,945	8,919
Payroll Taxes	408,402	23,204	32,487	464,093	420,647
Postage	-	5,810	1,998	7,808	7,411
Printing and Publication	-	6,185	12,442	18,627	16,961
Professional Fees	271,253	228,978	-	500,231	447,662
Program Services	169,367	-	-	169,367	156,870
Repairs and Maintenance	185,138	110,643	-	295,781	384,780
Salaries	5,486,768	436,447	311,749	6,234,964	5,653,239
Security	75,827	-	-	75,827	2,361
Supplies	65,238	24,558	-	89,796	75,685
Taxes and Licenses	-	16,306	-	16,306	10,821
Technology	160,878	12,797	9,140	182,815	145,579
Telephone/Internet	89,515	7,121	5,086	101,722	58,686
Training	40,324	3,219	2,302	45,845	39,597
Travel/Employee Reimbursement	33,848	4,743	457	39,048	37,330
Utilities	-	149,007	-	149,007	266,655
Vehicle Maintenance	10,739	-	-	10,739	24,361
Total functional expenses	$ 11,834,479	$ 1,215,180	$ 444,591	$ 13,494,250	$ 11,825,674

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	**$ (367,352)**	$ 307,884
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**750,479**	734,915
Amortization of right-of-use asset	**24,506**	24,079
Realized and unrealized gain on marketable securities	**(491,244)**	(196,593)
Divided and interest income reinvested	**(74,337)**	(25,303)
Gain on sale of assets	**-**	(441,901)
Contributed marketable securities	**(288,933)**	(116,786)
Contributions for long-term purposes	**(751,250)**	(290,000)
Provision for discount on pledges receivable	**-**	3,248
Bad debt	**39,038**	66,857
Change in operating assets and liabilities:		
Grants receivable	**(28,715)**	52,918
Accounts receivable	**-**	167,583
Pledges receivable	**(54,031)**	(824,217)
Prepaid expenses	**(36,161)**	(4,829)
Accounts payable	**(45,432)**	26,953
Escrow liability	**-**	5,940
Accrued expenses	**(89,102)**	126,652
Net cash used in operating activities	**(1,412,534)**	(382,600)
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	**-**	682,148
Proceeds from sale of marketable securities	**127,729**	202,257
Purchases of marketable securities	**(993,951)**	(56,204)
Purchases of property and equipment	**(113,429)**	(117,697)
Net cash provided by (used in) investing activities	**(979,651)**	710,504
Cash Flows from Financing Activities		
Payments on lease liability	**(24,063)**	(23,545)
Collections on contributions restricted for long-term purposes	**709,611**	508,107
Net cash provided by financing activities	**685,548**	484,562
Increase (decrease) in cash and cash equivalents	**(1,706,637)**	812,466
Cash and Cash Equivalents, beginning	**5,803,259**	4,990,793
Cash and Cash Equivalents, ending	**$ 4,096,622**	$ 5,803,259
Supplemental Cash Flow Disclosures:		
Cash paid for interest	**$ 1,623**	$ 2,678

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

ForKids Suffolk, L.L.C. (the "Company") was established in 2008 as a wholly-owned subsidiary for the purpose of holding real property located in Suffolk, Virginia. On January 1, 2023, ForKids Suffolk, L.L.C. filed articles of dissolution.

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.

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

ForKids Investments, L.L.C   ForKids Foundation, L.L.C.
ForKids Properties, 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.

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, 2024 and 2023.

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 pledge discount was not deemed necessary for the years ended June 30, 2024 and 2023 due to the trivial impact if recorded. 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 uncollectible accounts was not deemed necessary for the years ended June 30, 2024 and June 30, 2023.

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

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

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

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

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, 2024. 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, 2024 and 2023. 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 Foundation, L.L.C, ForKids Investments, L.L.C., and ForKids Properties, L.L.C. are Virginia limited liability companies. The members' share of income or loss is reported directly on the members' income tax return. Therefore, no provision for income taxes has been reflected in these consolidated financial statements.

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purposes the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its consolidated statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of activities.

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The nonlease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

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

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

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

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

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Organization. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from donor restrictions. The Organization held net assets with donor restrictions to be held in perpetuity of $2,500,000 at June 30, 2024 and 2023. See further discussion at Notes 12 and 13.

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

Contributions and grants are recognized as revenue in accordance with Financial Accounting Standards Board (FASB) Topic 958 when a donor makes a contribution or promise to give that is unconditional. Donated goods and services are recorded at fair value at the date of the gift. Grant income is recognized in the year the grant is awarded. Cost reimbursement type grants are conditional contributions and recognized as revenue when conditions have been met. Many grants require the Organization to provide matching funds and are recorded as unrestricted revenue as the match requirements are met. Investment income is recognized when earned. Rent and related program income is recognized as revenue pursuant to FASB ASC 840 on a straight-line basis.

Advertising costs: The Organization expenses advertising costs as incurred. During the years ended June 30, 2024 and 2023, the Organization had no advertising costs.

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.

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

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, 2023, from which the summarized information was derived.

Note 2. Restricted Cash

Restricted cash at June 30 consisted of the following:

Restriction	2024	2023
Escrow account	**$ 267**	$ 267
Security deposit	**21,484**	21,484
Children services	**-**	348,000
Programs/services	**38,300**	296,292
Capital campaign and endowment	**121,763**	-
Total	**$ 181,814**	$ 666,043

Note 3. Liquidity and Availability of Funds

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

	2024	2023
Cash and cash equivalents	**$ 3,914,808**	$ 5,137,216
Grants receivable	**988,506**	959,791
Pledges receivable, net	**525,484**	390,472
Total financial assets available to meet general expenditures within one year	**$ 5,428,798**	$ 6,487,479

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 $532,307 and $516,207 as of June 30, 2024 and 2023, respectively. This fund established by the Board of Directors may be drawn upon, if necessary, to meet unexpected liquidity needs. Additionally, the Organization maintains a line of credit, as discussed in more detail in Note 11. As of June 30, 2024 and 2023, $750,000 remained available on the Organization's line of credit.

Note 4. Donated Goods and Services

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

The consolidated financial statements also reflect donated goods and services of $362,310 and $278,920, which consisted of property and various other goods for the years ended June 30, 2024 and 2023, respectively. In valuing donated goods and services, the Organization estimates the fair value on the basis of values that would be received for selling similar products in the United States. The Organization received donated stock with a fair value of $288,933 and $116,786 during the years ended June 30, 2024 and 2023, respectively. It is the Organization's policy to immediately sell all stock donations upon receipt.

Note 5. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2024	2023
Receivable in less than one year	**$ 1,030,004**	$ 830,273
Receivable in one to five years	**212,080**	355,179
Total pledges receivable	**1,242,084**	1,185,452
As shown on the consolidated statements of financial position:		
Current portion of pledges receivable	**$ 1,030,004**	$ 830,273
Long-term portion of pledges receivable, net	**212,080**	355,179
	$ 1,242,084	$ 1,185,452

Note 6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2024	2023
Land	**$ 748,740**	$ 748,740
Buildings and Improvements	**18,544,435**	18,520,335
Furniture and Equipment	**2,071,847**	2,062,213
Transportation Equipment	**449,963**	407,227
	21,814,985	21,738,515
Less Accumulated Depreciation	**(3,784,095)**	(3,070,575)
	$ 18,030,890	$ 18,667,940

Depreciation expense was $750,479 and $734,915 for the years ended June 30, 2024 and 2023, respectively, and is included in depreciation and amortization expense on the consolidated statements of functional expenses.

Note 7. Leases

The Organization has a program leasing multiple premises for use in program services. Payments are reimbursed by the U.S. Department of Housing and Urban Development ("HUD") under the Supportive Housing Program. Lease terms are one year or month-to-month.

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, 2024 and 2023 was $472,960 and $430,286, respectively.

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

The components of lease expense are as follows and are included in depreciation and amortization expense and miscellaneous expenses on the statement of functional expenses for the year ended June 30, 2024 and 2023:

	2024	2023
Finance lease cost—amortization of right-of-use assets	**$ 24,506**	$ 24,079
Finance lease cost—interest on lease liabilities	**1,623**	2,678
Total lease expense	**$ 26,129**	$ 26,757

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

Other Supplemental information	**2024**	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on finance leases	**$ 1,713**	$ 2,494
Financing cash outflows—payments on finance leases	**23,973**	21,051
Right-of-use assets obtained in exchange for new lease obligations	**-**	70,096
Weighted-average remaining lease term:	**1 year**	2 years
Weighted-average discount rate:	**4.49%**	4.49%

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

Year ending June 30,	Amount
2025	$ 25,686
Total lease payments	25,686
Less imputed interest	(520)
Total lease liabilities	$ 25,166

Note 8. Lessor Arrangements

The Organization has leasing operations that consist principally of leasing buildings. The Organization's leases are classified as operating leases. Total lease income from unrelated parties for the years ended June 30, 2024 and 2023 was $270,972 and $250,868, respectively.

The Organization's investment in property held for lease as of June 30, 2024 and 2023 consists of the following:

	2024	2023
Building	**$ 1,473,796**	$ 1,473,796
Less Accumulated Depreciation	**(694,474)**	(675,911)
	$ 779,322	$ 797,885

Minimum future rentals are as follows:

Year Ending June 30,	Amount
2025	$ 74,685
2026	7,910
	$ 82,595

Note 9. Retirement Plan

The Organization maintains a 401(k) retirement plan that allows employees that have 250 hours work and 90 days of employment to participate. The Organization will match 100% of the first 3% of an employee's contribution, plus 50% of the next 2%. During the years ended June 30, 2024 and 2023, the Organization incurred retirement plan expenses of $136,117 and $126,011, respectively, which is included in employee benefits in the consolidated statement of functional expenses.

Note 10. United Way

The amount shown on the accompanying consolidated statements of activities as being received from the United Way of South Hampton Roads is net of the Organization's proportionate share of federal fundraising costs of $22,550 and $22,004 for the years ended June 30, 2024 and 2023, respectively.

Note 11. Line of Credit

The Organization has a line of credit with a limit of $750,000, which is due on demand. The amount available is secured by a deed of trust and accounts receivable. Interest is payable on the line at an annual rate equal to the *Wall Street Journal* prime rate with a floor of 4.0%. At June 30, 2024 and 2023, there was no outstanding balance.

Note 12. Endowment

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

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

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

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

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2024 and 2023. The Organization has interpreted the UPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

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

Note 12. Endowment (Continued)

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

Spending Policy and How the Investment Objectives Relate to Spending Policy – The annual spending rate shall be 4% of an eight quarter (two year) moving average of the market value of the endowment as determined each September 30th. The spending rate will be reviewed annually with respect to investment performance, and will be changed only by the majority vote of the Board Managers of the ForKids Foundation. Funds that have donor restrictions are to be disbursed only in accordance with documentation received at the time of the gift to the Organization. In the absence of donor restrictions, income earned on donor restricted endowments are classified as endowments without donor restrictions and expensed according to the mission of the Organization. The Organization's spending policy is consistent with its objective of maintaining the original principal balance of donor restricted endowment funds.

For the years ended June 30, 2024 and 2023, the Organization had the following endowment-related activities:

	2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-Restricted Endowment Funds	**$ -**	**$ 2,500,000**	**$ 2,500,000**
Board-Designated Endowment Funds	**1,484,648**	**-**	**1,484,648**
Total funds as of June 30, 2024	**$ 1,484,648**	**$ 2,500,000**	**$ 3,984,648**
Balance as of June 30, 2023	**$ 1,162,732**	**$ 2,500,000**	**$ 3,662,732**
Contributions	**50,000**	**-**	**50,000**
Net Increase in Market Value	**399,645**	**-**	**399,645**
Distributions	**(127,729)**	**-**	**(127,729)**
Balance as of June 30, 2024	**$ 1,484,648**	**$ 2,500,000**	**$ 3,984,648**

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

Note 13. Net Assets with Donor Restrictions

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

	2024	2023
Children Services	**$ 7,000**	$ 650,500
Capital Campaign	**166,449**	231,980
Endowment	**2,500,000**	2,500,000
Fixed Assets	**315,000**	315,000
Programs/Services	**581,450**	556,792
	$ 3,569,899	$ 4,254,272

Note 14. Concentrations

The Organization receives a significant amount of its support from the federal government, both directly and indirectly via pass-through funds from state and local governments. If a significant reduction in the level of support was to occur, it would affect the Organization's future programs and activities. During the years ended June 30, 2024 and 2023, total support from the federal government totaled 31% and 29% 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.

Note 15. Fair Value Measurements

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

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

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

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

Note 15. Fair Value Measurements (Continued)

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

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

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

The following table summarizes, by level within the fair value hierarchy, the assets measured at fair value on a recurring basis as of June 30, 2024 and 2023.

	Level 1	**Total at Fair Value at June 30, 2024**
Fixed income	**$ 1,147,351**	**$ 1,147,351**
Exchange funds	**3,870,391**	**3,870,391**
Total	**$ 5,017,742**	**$ 5,017,742**

	Level 1	Total at Fair Value at June 30, 2023
Fixed income	$ 881,918	$ 881,918
Exchange funds	2,415,088	2,415,088
Total	$ 3,297,006	$ 3,297,006

Note 16. Funds Held By Others

The Organization is currently the designated recipient of income from two funds maintained at the Hampton Roads Community Foundation ("HRCF"). The ForKids, Inc. endowment is an organizational fund held by HRCF of which the Organization may request annual distributions of 5% of asset value based on a trailing 12-quarter average asset value. The value of this fund as of June 30, 2024 and 2023 is $77,134 and $71,229, 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, 2024 and 2023 is $1,271,588 and $1,233,863, respectively. These funds are not on the Organization's consolidated statements of financial position.

Note 17. Related Party Transactions

The Organization has pledges receivable of $88,400 and $138,435 from members of the Organization's Board of Directors at June 30, 2024 and 2023, respectively.

Note 18. Subsequent Events

The Organization has evaluated all events subsequent to June 30, 2024 through January 7, 2025, which is the date these consolidated financial statements were available to be issued. Management has determined that there are no subsequent events that are required to be disclosed pursuant to the FASB ASC.

SUPPLEMENTARY INFORMATION

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SUPPORT
Year Ended June 30, 2024

Federal Agencies	
Continuum of Care Program (SVHC)	$ 147,673
Continuum of Care Program (PSH Norfolk)	557,665
Continuum of Care Program (Leap/TIP/RR)	731,971
Continuum of Care Program (Elizabeth Place)	107,431
Continuum of Care Program (GVPHC)	65,682
Supportive Services for Veterans families	67,515
Emergency Food and Shelter National Board Program	516,334
Community Development Block Grant (Norfolk)	35,000
Community Development Block Grant (Chesapeake)	102,595
Community Development Block Grant (Virginia Beach)	108,284
Community Development Block Grant (Suffolk)	15,000
Community Development Block Grant (Portsmouth)	50,000
Emergency Solutions Grant (Norfolk)	214,015
Emergency Solutions Grant (VHSP - SVHC)	113,203
Emergency Solutions Grant (CHERP - SVHC)	12,162
Tenant Based Rental Assistance Program (Chesapeake)	548,706
Tenant Based Rental Assistance Program (Portsmouth)	494,854
Total federal agencies	3,888,090
Other Government Grants	
City of Suffolk	45,000
City of Chesapeake	45,000
PICC Norfolk	41,526
VERP DHCD	354,284
Virginia Homeless Solutions Program (SVHC)	608,490
Virginia Homeless Solutions Program (GVPHC)	111,273
Virginia Homeless Solutions Program (Portsmouth)	54,679
Housing Trust Fund	145,183
Human Services Grant (Chesapeake)	25,000
Other	90,395
Total other government grants	1,520,830
Contributions	
Individuals, churches, businesses, and foundations grants	3,711,359
United Way	891,380
Donated Goods and Services	362,310
Total support	$ 10,373,969

COMPLIANCE SECTION

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Community Development Block Grant Entitlement Grants Cluster:				
Pass-through from the City of Norfolk:				
CDBG - Norfolk	14.218	47-000029546	$ -	$ 35,000
Pass-through from City of Virginia Beach:				
CDBG - Virginia Beach	14.218	Not Provided	-	108,284
Pass-through from City of Portsmouth:				
CDBG - Portsmouth	14.218	CDBG FY 24 - CPD 6	-	50,000
Pass-through from City of Suffolk:				
CDBG - Suffolk	14.218	Not Provided	-	15,000
Pass-through from City of Chesapeake:				
CDBG - Chesapeake	14.218	3813050524	-	102,595
Total Community Development Block Grant Entitlement Grants Cluster				310,879
Continuum of Care Program:				
SVHC - Hotline	14.267		-	147,673
Legacy (PSH)	14.267		-	557,665
Leap (Rapid Rehousing)	14.267		-	731,971
Elizabeth Place	14.267		-	107,431
GVPHC	14.267		-	65,682
Total Continuum of Care Program				1,610,422
Pass-through from Virginia Department of Housing and Community Development:				
Emergency Solutions Grant Program - SVHC	14.231	24-VHSP-030	-	113,203
Emergency Response Program (CHERP) SVHC	14.231	20-CHERP-030	-	12,162
Pass-through from the City of Norfolk:				
Emergency Solutions Grant Program	14.231	47-000029250 & 51	-	77,651
Emergency Solutions Grant Program	14.231	47-000029549, 50, & 51	-	136,364
HOME Investment Partnerships Program:				
Pass-through from City of Chesapeake:				
Chesapeake TBRA	14.239	3813994522	-	32,123
Chesapeake TBRA	14.239	3813994523	-	138,850
Chesapeake TBRA	14.239	3813994524	-	30,809
Chesapeake HOME-ARP	14.239	3813996522	-	346,924
Pass-through from City of Portsmouth:				
Portsmouth TBRA	14.239	HOME FY 23 - CPD 13	-	138,593
Portsmouth TBRA	14.239	HOME FY 24 - CPD 9	-	96,396
Portsmouth HOME-ARP	14.239	HOME-ARP FY 23 - CPD 13	-	259,865
Total HOME Investment Partnerships Program				1,043,560
Total Department of Housing and Urban Development				3,304,241

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY				
Emergency Food and Shelter National Board Program	97.024		$ -	$ 516,334
Total Department of Homeland Security				516,334
DEPARTMENT OF THE TREASURY				
Pass-through from City of Suffok:				
COVID-19 State and Local Fiscal Recovery Funds	21.027	202228.22	-	67,515
Total Department of the Treasury				67,515
Total Expenditures of Federal Awards				$ 3,888,090

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of ForKids, Inc. and Subsidiaries (Organization) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, activities or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

Note 4. Pass-Through State Agencies

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

PBMares
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
ForKids, Inc. and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the consolidated financial statements of ForKids, Inc. and Subsidiaries (the Organization), as of and for the year ended June 30, 2024, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated January 7, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Norfolk, Virginia
January 7, 2025

PBMares
CPAs and Consultants

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

To the Board of Directors
ForKids, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ForKids, Inc. and Subsidiaries' (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

PBMares, LLP

Norfolk, Virginia
January 7, 2025

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	_______Yes	___X___No
Significant deficiency(ies) identified?	_______Yes	___X___None Reported
Noncompliance material to financial statements noted?	______Yes	___X___No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_______Yes	___X___No
Significant deficiency(ies) identified?	_______Yes	___X___None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_______Yes	___X___No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program
14.239	HOME Investment Partnerships Program

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

Auditee qualified as low-risk auditee?	_______Yes	___X___No

SECTION II. FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2024

None