

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL AND COMPLIANCE REPORTS

JUNE 30, 2025



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 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, 2025, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 as the Consolidated Schedule of Support 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 Consolidated Schedule of Support and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 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
December 4, 2025

CONSOLIDATED FINANCIAL STATEMENTS

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION **June 30, 2025 (With Comparative Totals for 2024)**

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,340,699	\$ 502,608	\$ 3,843,307	\$ 4,096,622
Grants receivable	1,180,748	989,499	2,170,247	988,506
Pledges receivable, net, current portion	221,321	67,692	289,013	1,030,004
Prepaid expenses	30,441	-	30,441	93,603
Total current assets	4,773,209	1,559,799	6,333,008	6,208,735
Property and Equipment, net	16,965,880	315,000	17,280,880	18,030,890
Noncurrent Assets				
Marketable securities	1,831,673	2,500,000	4,331,673	5,017,742
Pledges receivable, net, long-term portion	-	29,764	29,764	212,080
Right-of-use asset	-	-	-	24,079
Deposits	9,077	-	9,077	9,077
Total noncurrent assets	1,840,750	2,529,764	4,370,514	5,262,978
Total assets	\$ 23,579,839	\$ 4,404,563	\$ 27,984,402	\$ 29,502,603
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 60,185	\$ -	\$ 60,185	\$ 52,578
Escrow liability	-	21,751	21,751	21,751
Lease liability, current portion	-	-	-	25,166
Accrued expenses	307,267	-	307,267	254,756
Total liabilities	367,452	21,751	389,203	354,251
Net Assets	23,212,387	4,382,812	27,595,199	29,148,352
Total liabilities and net assets	\$ 23,579,839	\$ 4,404,563	\$ 27,984,402	\$ 29,502,603

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2025 (With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Support				
Federal agencies	\$ -	\$ 3,612,417	\$ 3,612,417	\$ 3,888,090
Contributions	2,194,584	1,882,405	4,076,989	3,681,452
Capital campaign	-	-	-	29,907
Government grants	-	2,014,388	2,014,388	1,520,830
Donated goods and services	-	486,315	486,315	362,310
United Way	37,070	472,800	509,870	891,380
Total	2,231,654	8,468,325	10,699,979	10,373,969
Net assets released from restrictions:				
Satisfaction of restrictions	7,680,768	(7,680,768)	-	-
Total support	9,912,422	787,557	10,699,979	10,373,969
Revenue (Expenses):				
Fundraising events (net of expenses of \$174,165 and \$140,182 for June 30, 2025 and 2024, respectively)	1,558,226	25,356	1,583,582	1,704,401
Interest and dividends	203,192	-	203,192	180,908
Rent and program fees	321,028	-	321,028	298,712
Realized/unrealized gain on marketable securities	349,253	-	349,253	382,807
Loss on disposal of assets	(53,943)	-	(53,943)	-
Miscellaneous	163,212	-	163,212	186,101
Total revenue	2,540,968	25,356	2,566,324	2,752,929
Total support and revenue	12,453,390	812,913	13,266,303	13,126,898
Functional Expenses				
Program services	12,709,940	-	12,709,940	11,834,479
Management and general	1,419,623	-	1,419,623	1,215,180
Fundraising	689,893	-	689,893	444,591
Total functional expenses	14,819,456	-	14,819,456	13,494,250
Change in net assets	(2,366,066)	812,913	(1,553,153)	(367,352)
Net Assets, beginning of year	25,578,453	3,569,899	29,148,352	29,515,704
Net Assets, end of year	\$ 23,212,387	\$ 4,382,812	\$ 27,595,199	\$ 29,148,352

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES **Year Ended June 30, 2025 (With Comparative Totals for 2024)**

	Program Services	Management and General	Fundraising	2025 Total	2024 Total
Bad Debt	\$ 2,436	\$ -	\$ -	\$ 2,436	\$ 39,038
Depreciation and Amortization	763,573	-	-	763,573	774,985
Donated Goods and Services	486,315	-	-	486,315	362,310
Employee Benefits	820,430	76,319	57,239	953,988	715,033
Food	130,090	-	-	130,090	143,237
Fundraising	-	-	19,622	19,622	16,954
Housing Assistance	2,886,068	-	-	2,886,068	2,889,571
Insurance	-	180,603	-	180,603	68,201
Miscellaneous	-	17,259	-	17,259	82,945
Payroll Taxes	454,302	42,261	31,695	528,258	464,093
Postage	-	5,810	1,216	7,026	7,808
Printing and Publication	-	4,747	20,817	25,564	18,627
Professional Fees	41,540	186,769	37,511	265,820	500,231
Program Services	378,553	-	-	378,553	169,367
Repairs and Maintenance	216,960	121,023	-	337,983	295,781
Salaries	6,146,104	571,731	428,798	7,146,633	6,234,964
Security	70,008	-	-	70,008	75,827
Supplies	89,302	2,384	59	91,745	89,796
Taxes and Licenses	-	14,227	-	14,227	16,306
Technology	91,075	20,431	86,150	197,656	182,815
Telephone/Internet	64,923	25,091	3,600	93,614	101,722
Training	17,596	15,132	2,610	35,338	45,845
Travel/Employee Reimbursement	32,353	6,760	576	39,689	39,048
Utilities	-	129,076	-	129,076	149,007
Vehicle Maintenance	18,312	-	-	18,312	10,739
Total functional expenses	\$ 12,709,940	\$ 1,419,623	\$ 689,893	\$ 14,819,456	\$ 13,494,250

FORKIDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS **Years Ended June 30, 2025 and 2024**

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ (1,553,153)	\$ (367,352)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	739,494	750,479
Amortization of right-of-use asset	24,079	24,506
Realized and unrealized gain on marketable securities	(282,883)	(491,244)
Dividend and interest income reinvested	(99,425)	(74,337)
Loss on disposal of assets	53,943	-
Contributed marketable securities	(356,177)	(288,933)
Contributions for long-term purposes	(203,350)	(751,250)
Bad debt	2,436	39,038
Change in operating assets and liabilities:		
Grants receivable	(1,181,741)	(28,715)
Pledges receivable	10,595	(54,031)
Prepaid expenses	63,162	(36,161)
Accounts payable	7,607	(45,432)
Accrued expenses	52,511	(89,102)
Net cash used in operating activities	(2,722,902)	(1,412,534)
Cash Flows from Investing Activities		
Proceeds from sale of marketable securities	1,440,928	127,729
Purchases of marketable securities	(16,374)	(993,951)
Purchases of property and equipment	(43,427)	(113,429)
Net cash provided by (used in) investing activities	1,381,127	(979,651)
Cash Flows from Financing Activities		
Payments on lease liability	(25,166)	(24,063)
Collections on contributions restricted for long-term purposes	1,113,626	709,611
Net cash provided by financing activities	1,088,460	685,548
Decrease in cash and cash equivalents	(253,315)	(1,706,637)
Cash and Cash Equivalents, beginning	4,096,622	5,803,259
Cash and Cash Equivalents, ending	\$ 3,843,307	\$ 4,096,622
Supplemental Cash Flow Disclosures:		
Cash paid for interest	\$ 520	\$ 1,623

FORKIDS, INC. AND SUBSIDIARIES

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 education programs, economic mobility, and targeted services for veteran families. In addition, ForKids operates the Regional Housing Crisis Hotline and Resources757 connecting families across greater Hampton Roads to vital local resources. Programs are delivered out of the newly completed Landmark Center in Chesapeake and Birdsong Center in Suffolk. You can learn more at www.ForKids.org.

ForKids Suffolk, L.L.C. 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.

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, 2025 and 2024.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, 2025 and 2024 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, 2025 and June 30, 2024.

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, 2025. 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, 2025 and 2024. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. The Organization's policy is to classify income tax related to interest and penalties, if any, in other interest expense.

ForKids 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.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Classification of net assets (continued):

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, 2025 and 2024. 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, 2025 and 2024, 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.

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, 2024, from which the summarized information was derived.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Restricted Cash

Restricted cash at June 30 consisted of the following:

Restriction	2025	2024
Escrow account	\$ 267	\$ 267
Security deposit	21,484	21,484
Capital campaign and endowment	-	121,763
Total	\$ 21,751	\$ 143,514

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:

	2025	2024
Cash and cash equivalents	\$ 3,340,699	\$ 3,914,808
Grants receivable	1,180,748	988,506
Pledges receivable, net	221,321	525,484
Total financial assets available to meet general expenditures within one year	\$ 4,742,768	\$ 5,428,798

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 \$543,570 and \$532,307 as of June 30, 2025 and 2024, 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, 2025 and 2024, \$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 \$486,315 and \$362,310, which consisted of property and various other goods for the years ended June 30, 2025 and 2024, 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 \$356,177 and \$288,933 during the years ended June 30, 2025 and 2024, respectively. It is the Organization's policy to immediately sell all stock donations upon receipt.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2025	2024
Receivable in less than one year	\$ 289,013	\$ 1,030,004
Receivable in one to five years	29,764	212,080
Total pledges receivable	318,777	1,242,084

As shown on the consolidated statements of financial position:

Current portion of pledges receivable	\$ 289,013	\$ 1,030,004
Long-term portion of pledges receivable	29,764	212,080
	\$ 318,777	\$ 1,242,084

Note 6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2025	2024
Land	\$ 748,740	\$ 748,740
Buildings and Improvements	18,541,618	18,544,435
Furniture and Equipment	2,017,027	2,071,847
Transportation Equipment	449,963	449,963
	21,757,348	21,814,985
Less Accumulated Depreciation	(4,476,468)	(3,784,095)
	\$ 17,280,880	\$ 18,030,890

Depreciation expense was \$739,494 and \$750,479 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024 was \$497,108 and \$472,960, respectively.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Leases (Continued)

The Organization leased office equipment under a finance lease agreement with a three-year term that ended on June 30, 2025. The lease did not contain any material restrictive covenants or residual value guarantees. Finance lease cost was recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, resulting 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, 2025 and 2024:

	2025	2024
Finance lease cost—amortization of right-of-use assets	\$ 24,079	\$ 24,506
Finance lease cost—interest on lease liabilities	520	1,623
Total lease expense	\$ 24,599	\$ 26,129

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

Other Supplemental information	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on finance leases	\$ 614	\$ 1,713
Financing cash outflows—payments on finance leases	25,072	23,973
Weighted-average remaining lease term:	-	1 years
Weighted-average discount rate:	-	4.49%

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, 2025 and 2024 was \$288,339 and \$270,972, respectively.

The Organization's investment in property held for lease as of June 30, 2025 and 2024 consists of the following:

	2025	2024
Building	\$ 1,473,796	\$ 1,473,796
Less Accumulated Depreciation	(729,997)	(694,474)
	\$ 743,799	\$ 779,322

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Lessor Arrangements (Continued)

Minimum future rentals are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	<u>\$ 22,985</u>
	<u><u>\$ 22,985</u></u>

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, 2025 and 2024, the Organization incurred retirement plan expenses of \$155,623 and \$136,117, 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 \$17,835 and \$22,550 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Endowment (Continued)

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, 2025 and 2024. 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.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2025 and 2024, the Organization had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 2,500,000	\$ 2,500,000
Board-Designated Endowment Funds	1,712,681	-	1,712,681
Total funds as of June 30, 2025	\$ 1,712,681	\$ 2,500,000	\$ 4,212,681
Balance as of June 30, 2024	\$ 1,484,648	\$ 2,500,000	\$ 3,984,648
Net Increase in Market Value	371,430	-	371,430
Distributions	(143,397)	-	(143,397)
Balance as of June 30, 2025	\$ 1,712,681	\$ 2,500,000	\$ 4,212,681
	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

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Net Assets with Donor Restrictions

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

	2025	2024
Children Services	\$ 270,000	\$ 7,000
Capital Campaign	97,456	166,449
Endowment	2,500,000	2,500,000
Fixed Assets	315,000	315,000
Programs/Services	1,148,749	581,450
Field Day	51,607	-
	\$ 4,382,812	\$ 3,569,899

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, 2025 and 2024, total support from the federal government totaled 27% and 31% 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.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2025 and 2024.

	Level 1	Total at Fair Value at June 30, 2025
Fixed income	\$ 1,234,326	\$ 1,234,326
Exchange funds	3,097,347	3,097,347
Total	\$ 4,331,673	\$ 4,331,673

	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

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, 2025 and 2024 is \$71,229 and \$77,134, 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, 2025 and 2024 is \$1,291,106 and \$1,271,588, respectively. These funds are not on the Organization's consolidated statements of financial position.

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Related Party Transactions

The Organization has pledges receivable of \$43,253 and \$88,400 from members of the Organization's Board of Directors at June 30, 2025 and 2024, respectively.

Note 18. Subsequent Events

The Organization has evaluated all events subsequent to June 30, 2025 through December 4, 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, 2025

Federal Agencies	
Community Development Block Grant (Chesapeake)	\$ 109,730
Community Development Block Grant (Norfolk)	40,000
Community Development Block Grant (Suffolk)	15,000
Community Development Block Grant (Virginia Beach)	169,140
Congressionally Directed Spending (Kaine/Warner)	140,000
Continuum of Care Program (Elizabeth Place)	117,296
Continuum of Care Program (GVPHC)	65,682
Continuum of Care Program (Leap/TIP/RR)	638,960
Continuum of Care Program (PSH Norfolk)	628,349
Continuum of Care Program (SVHC)	147,673
Emergency Food and Shelter National Board Program	155,292
Emergency Solutions Grant (Norfolk)	189,534
Emergency Solutions Grant (VHSP - SVHC)	133,693
Supportive Services for Veterans families	19,985
Tenant Based Rental Assistance Program (Chesapeake)	469,403
Tenant Based Rental Assistance Program (DHCD)	89,719
Tenant Based Rental Assistance Program (Portsmouth)	482,961
Total federal agencies	3,612,417
Other Government Grants	
City of Chesapeake	45,000
City of Suffolk	50,000
Community Development Block Grant (Virginia Beach)	28,023
Housing Trust Fund	169,058
Human Services Grant (Chesapeake)	15,000
Isle of Wight County	15,000
PICC Norfolk	59,391
VERP DHCD	804,224
Virginia Homeless Solutions Program (GVPHC)	86,484
Virginia Homeless Solutions Program (Portsmouth)	75,818
Virginia Homeless Solutions Program (SVHC)	666,390
Total other government grants	2,014,388
Contributions	
Individuals, churches, businesses, and foundations grants	4,076,989
United Way	509,870
Donated Goods and Services	486,315
Total support	\$ 10,699,979

COMPLIANCE SECTION

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2025

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	\$ -	\$ 40,000
Pass-through from City of Virginia Beach: CDBG - Virginia Beach	14.218	Not Provided	-	169,140
Pass-through from City of Suffolk: CDBG - Suffolk	14.218	Not Provided	-	15,000
Pass-through from City of Chesapeake: CDBG - Chesapeake	14.218	3813050525	-	109,730
Total Community Development Block Grant Entitlement Grants Cluster				<u>333,870</u>
Continuum of Care Program: SVHC - Hotline	14.267		-	147,673
Legacy (PSH)	14.267		-	628,349
Leap (Rapid Rehousing)	14.267		-	638,960
Elizabeth Place	14.267		-	117,296
GVPHC	14.267		-	65,682
Total Continuum of Care Program				<u>1,597,960</u>
Pass-through from Virginia Department of Housing and Community Development: Emergency Solutions Grant Program - SVHC	14.231	24-VHSP-030	-	133,693
Pass-through from the City of Norfolk: Emergency Solutions Grant Program	14.231	47-000029551	-	44,197
Emergency Solutions Grant Program	14.231	47-000029549,50, and 51	-	145,337
HOME Investment Partnerships Program: Pass-through from City of Chesapeake: Chesapeake TBRA	14.239	3813994524	-	89,191
Chesapeake TBRA	14.239	3813994525	-	62,480
Chesapeake HOME-ARP	14.239	3813996522	-	317,732
Pass-through from City of Portsmouth: Portsmouth HOME ARP-Hotline	14.239	HOME -ARP FY 25 - CPD 12	-	60,000
Portsmouth HOME ARP-VERP FY25	14.239	HOME-ARP FY 23 - CPD 13	-	199,286
Portsmouth HOME ARP-VERP FY24	14.239	HOME-ARP FY 23 - CPD 13	-	53,135
Portsmouth TBRA FY24	14.239	HOME FY 24 - CPD 9	-	83,194
Portsmouth TBRA FY25	14.239	HOME FY 25 - CPD 9	-	87,346
Pass-through from Virginia Department of Housing and Community Development: DHCD HOME-ARP TBRA	14.239	Not Provided	-	89,719
Total HOME Investment Partnerships Program				<u>1,042,083</u>
Total Department of Housing and Urban Development				<u>3,297,140</u>

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) **Year Ended June 30, 2025**

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		\$ -	\$ 155,292
Total Department of Homeland Security				155,292
DEPARTMENT OF THE TREASURY				
Pass-through from City of Suffolk:				
COVID-19 State and Local Fiscal Recovery Funds	21.027	202228.22	-	19,985
Total Department of the Treasury				19,985
DEPARTMENT OF LABOR				
Community Project Funding/Congressionally Directed Spending	17.289		-	140,000
Total Department of Labor				140,000
Total Expenditures of Federal Awards				\$ 3,612,417

FORKIDS, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS **Year Ended June 30, 2025**

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, 2025. 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.

**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, 2025, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated December 4, 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
December 4, 2025

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

To the Board of Directors
ForKids, Inc. and Subsidiaries

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited ForKids, Inc. and Subsidiaries' (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2025. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for 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
December 4, 2025

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

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:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program

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

Auditee qualified as low-risk auditee? _____ Yes _____ X No

SECTION II. FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported

FORKIDS, INC. AND SUBSIDIARIES

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2025

None